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INTERVIEW WITH PAUL CRAIG ROBERTS

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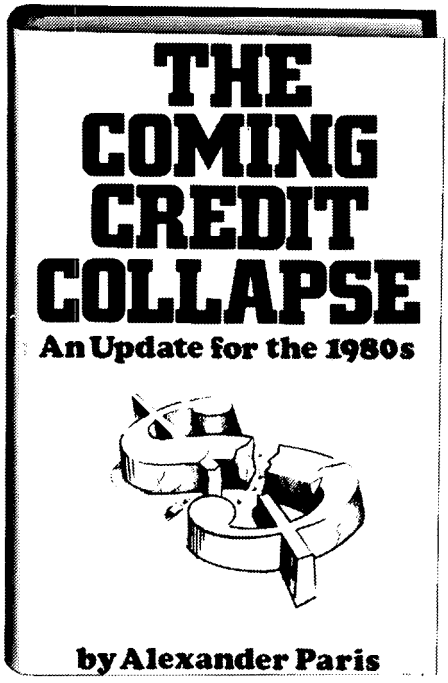

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ABOUT THE AUTHOR

Alexander Paris is an economist and Senior Vice-President of Kanne, Paris & Hoban, Inc. a Chicago-based investment consulting firm where he is an advisor to major financial institutions. He is also president of Barrington Associates, a research group specializing in natural resource investment, credit market strategies and investment partnership management. He has over 20 years experience in the investment industry and is widely known for his definitive predictions on interest rates and business cycles.

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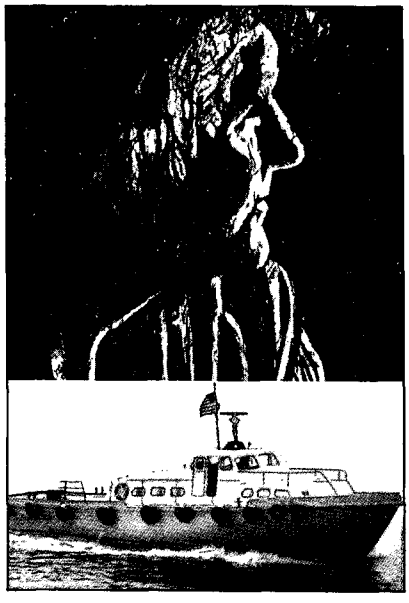

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NOTEs

Quite a few REASON articles are continuing to have an impact. Reader William Udy sent last December's exposé, "Infant Formula: WHO Mixes It Up," to J. R. Crumley, Bishop of the Lutheran Church in America. Bishop Crumley replied, "I have read [the article] very carefully and I find its argument quite convincing. I have always felt that there were enough unanswered questions about the infant formula controversy that I have been particularly glad the Lutheran Church in America has never officially become a part of the boycott."

Dina Rasor's April cover story on military testing has spawned articles in *Washington Monthly* (May) and *Human Events* (May 22), with another scheduled for *National Journal* this summer. Sen. David Pryor has introduced legislation, inspired by the article, to establish an independent operational testing director in the Defense Department; hearings were scheduled before the Senate Government Affairs Committee in July. And Rep. Robert Garcia (D-N.Y.) wrote me to say that his bill on military waste (HR 6229) "was inspired by an article in your magazine by Dina Rasor."

Our June issue has led to radio interviews for four of the authors—Eric Brodin, Doug Casey, Adrian Day, and John Doherty on WIS in Columbia, South Carolina. And a condensed version of William Tucker's cover story on the Peripheral Canal has appeared in a number of California newspapers, among them the *San Francisco Chronicle* and the *Long Beach Press Telegram.*

The idea that ailing bridges could be privatized, aired in our Trends column in May, has caught the eye of *Entrepreneur* magazine. Its June issue (pp. 47-48) assesses the pros and cons of taking over bridges as an entrepreneurial venture and offers sage advice on how to get started in this "clever investment."

The last few months have been busy ones for me. In May I took part in two conferences, one at the Shavano Institute in Colorado (where I spoke on deregulation and privatization) and the other a joint effort of the Cato Institute and the Political Economy Research Institute, on the new federalism and urban opportunities (where I commented on two papers dealing with land-use controls). June was especially hectic. I gave a lecture on privatization of public services at Northwood Institute in Midland, Michigan; gave a breakfast talk on deregulation at the Arizona Economic Forum meeting in Flagstaff; made several appearances on behalf of the Oklahoma Libertarian Party in Tulsa; and took part in a panel discussion put on by the American Society of Local Officials at the annual convention of the American Legislative Exchange Council in Chattanooga. By contrast, July was a breeze—just one engagement, taking part in a panel on economic education at the Western Economic Association convention in Los Angeles.

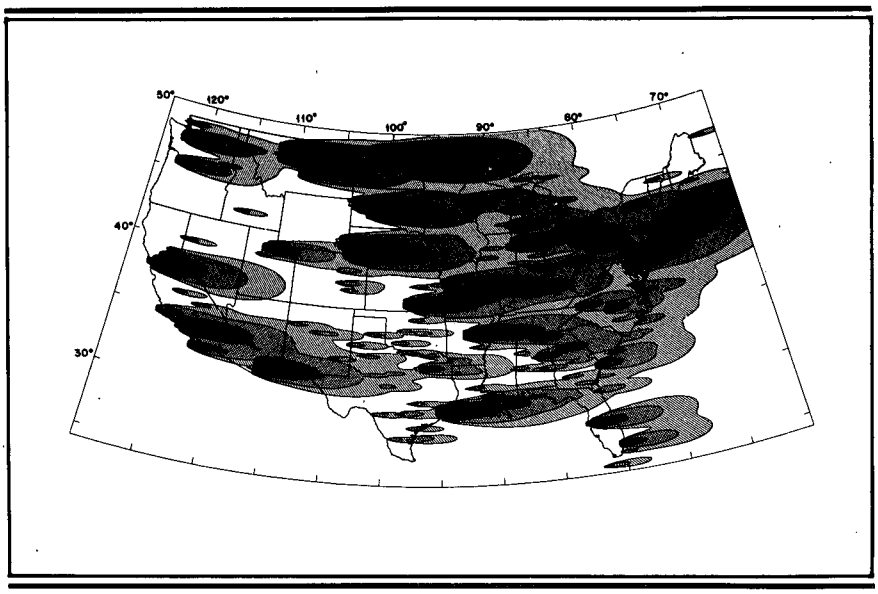
Senior Fellow Tibor Machan, meanwhile, has opened the fourth annual Reason Foundation summer research seminar here in Santa Barbara. The initial event was a four-day conference on the summer seminar's theme, culture and the free society. A dozen scholars are spending their summer in residence with us here, working on books and journal articles related to this theme.

The Foundation's book, *Instead of Regulation*, continues to attract notice. Reviews continue to appear, including in the *Freeman* (Feb.), *Policy Digest* (Apr.), *Regulation* (Mar./Apr.), and *Choice* (Apr.), and the book was selected by the Conservative book club as a July feature.

About a year and a half ago, senior editor Manny Klausner, who is a practicing attorney, worked with then-San Diego city councilman Fred Schnaubelt to draft a ballot initiative aimed at deterring local governments from economically destructive land-use regulation. Called the Just Compensation Initiative, it would have defined any regulatory action that significantly reduced the market value of a piece of property to be a "taking" within the meaning of the Fourth Amendment, therefore requiring compensation. Plans to qualify the measure for the California ballot never materialized, for several reasons. We were therefore surprised to see the idea reemerge, during the recent primary election, as a campaign plank of Republican gubernatorial candidate George Deukmejian, the state attorney general. Since Deukmejian won the primary, the idea stands a chance of becoming state policy, should he win the November election.

—R. P.

Three groups will survive if nuclear war ever does this to America: (1) the Soviets (2) the fortunate American twenty percent (3) those who are prepared



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"Don't tell the people"... this is, unfortunately, the policy of the U.S. government. The Federal Emergency Management Agency (FEMA) realizes that their Crisis-Relocation-Planning (CRP) program would become a source of acute embarrassment if millions of Americans knew the facts of nuclear survival... facts which are available in this 239 page volume with 83 dimensional drawings, 26 sketches, 60 photos and patterns for the do-it-yourself construction of a workable fallout meter. If you only purchase one book in the 1980's, it should be NUCLEAR WAR SURVIVAL SKILLS.

The disturbing fact is that influential Congressional and bureaucratic power groups do not want the American people to learn the facts about the nuclear risk in the years ahead. These people believe that the subject is "too deep" and "too risky" to let the voters know the truth. They believe that widespread nuclear survival information would create a groundswell of support for an expanded U.S. civil defense program... and they're right! They know that the people do not share their view that "only an exposed population is a safe population" and will do almost anything to keep the public in a state of ignorance. Thus, NUCLEAR WAR SURVIVAL SKILLS is the most unpopular book in existence for the Washington D.C. establishment... a book which must not gain wide circulation. Do you agree?

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Robert Poole, Jr.

Let 'Em Fly

Even before Braniff International filed for bankruptcy in May, opponents of airline deregulation had gone on the offensive. World Airways chairman Ed Daly, former TWA vice-president Melvin Brenner, and American Airlines president Robert Crandall have all been denouncing "disastrous" and "irrational" price competition and urging a return to some form of regulation. And Braniff's demise seems to be bringing out the long knives. So it's about time to set the record straight on airline deregulation.

First of all, did deregulation do in Braniff? Hardly. Not even the airline's own management makes that claim. Braniff's former leaders simply miscalculated, expanding willy-nilly to 26 new cities in the first year of deregulation. Former chairman Harding Lawrence—who had lobbied vigorously against deregulation—actually expected that the new law would be repealed within a few years. Hence, his aim was to grab every route in sight before the music stopped and controls were clamped on again. Needless to say, the gamble failed.

All right, deregulation can't be blamed for Braniff's fate. But what about the charge that it is nonetheless destroying the airline industry via cutthroat competition? First of all, those who make this charge can't separate the forest from the trees. They point to the aggregate losses of the 12 "major" airlines ($577 million last year), failing to note that (1) the more efficient of those *made money* and (2) most of the "nonmajor" airlines *prospered* throughout 1981. Overall, 15 of the top 27 airlines made a *profit* last year.

Why that happened is no mystery. Former *intra*state carriers like Air Florida, PSA, and Southwest have been freed to go after lucrative *inter*state traffic, bringing their aggressive, low-cost methods along with them. Likewise, brand-new trunk lines like Midway, New York Air, People Express, and Jet America have come into being—for the first time in 40 years! Using younger, nonunion personnel and flexible work rules, they can operate at much lower cost than the dinosaurs that grew fat and lazy under 40 years of Civil Aeronautics Board protection. *Aviation Week* reported last summer that the nonmajor airlines served an average of 1,801 passengers per employee in 1980-81, compared with only 850 for the majors. And even with their low fares, the nonmajors earned 13 percent more operating revenue per employee.

This competitive challenge has forced the majors to respond. The three-pilot versus two-pilot controversy has been settled in favor of the latter. Pilots have agreed to fly more hours per month. Unions have given up wage increases and made concessions on work rules. And the majors, too, have cut fares. Despite huge increases in fuel costs, interest rates, and other costs, airline fares overall have risen only modestly. In 1981 fares in the top 100 markets were only 87 percent of what they would have been under the old CAB formula; in the second 100 markets, 90 percent of the regulated level. Only in the smallest markets were fares above regulated levels, at 112 percent.

What all this means for consumers is generally very positive. Not only do the vast majority get lower fares, but they also get more convenient service. A 1981 CAB study found that in the top 200 markets nearly 30 percent more travelers can reach their destinations without having to change airlines at a connecting city, thanks to changes in route structures. And even in small, out-of-the-way cities where big jet service has been eliminated, people often have two or three times as many *flights* to choose from, thanks to the proliferation of commuter airlines flying smaller, fuel-efficient planes.

Most airline officials agree that, despite today's hard times, they're still better off than under regulation. "The economic problems facing the airline industry over the past two years would have been much more severe in the absence of management decision-making latitude made possible by deregulation," says James E. Landry of the Air Transport Association. Industry leaders like Eastern's Frank Borman and United's Richard Ferris agree.

Unfortunately, there is another threat to deregulation besides the occasional disgruntled executive or former regulator. *Re*regulation of airline route structures has crept in the back door as a result of the air traffic controllers strike. In order to operate with its limited supply of trained controllers, the Federal Aviation Administration imposed limitations on the number of landings and takeoffs at the nation's 22 busiest airports. This has severely restricted the ability of new carriers like Muse Air and New York Air to expand or even to operate. The old-timers have thus been given a marked competitive advantage.

As air traffic control capacity began to increase this year, the FAA began holding lotteries to parcel out the new takeoff "slots" at the 22 airports. All 70 passenger airlines had equal odds—so that unknowns like Rosenbalm Aviation and Fleming International suddenly found themselves with very valuable assets. So in May the FAA allowed a 30-day experiment under which such slots could be bought and sold. Slot brokers came into being, and some slots changed hands for as much as $2-$3 million.

One week after the start of the experiment, Braniff folded. Although Braniff had hoped to count its 361 slots as assets, the FAA parceled them out for 60 days to other airlines—106 at the FAA's discretion and the other 255 by lottery.

Clearly, the FAA is playing with fire. Take-off slots are a scarce resource and, as such, they command high prices. There is no "fair" way for a bureaucracy to allocate such resources, by lottery or otherwise. As with any other economic good, the slots will go to their most valued uses in a free market. If Muse Air really needs more slots at Dallas, let it pay for them. But let's not have the FAA playing God by handing out and withholding slots.

Deregulation is working. The CAB is scheduled for a well-deserved sunset. The last thing we need is a "son of CAB" restructuring the airlines in the guise of air traffic control. The market can and will do the job. It's high time we allowed it to work.

Robert Poole, Jr.

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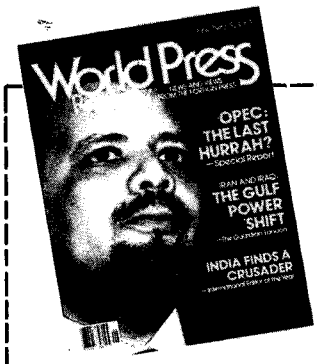

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Letters

Antiwaste Inspiration

Enclosed is a copy of a bill I introduced regarding military waste. The initiative for this legislation was inspired by an article in your magazine by Dina Rasor ("Fighting with Failures," Apr.).

Keep up the good work. We are very interested in many of the fine ideas in REASON magazine.

Robert Garcia,
Member of Congress

Bursting the Bubble

"Panic to the People" in the May issue describes a number of situations where the federal government created unnecessary fear in large numbers of people by acting precipitously on the basis of poor, insufficient, or inaccurate information. One of the most fear-inspiring situations was omitted from that article, namely, the Nuclear Regulatory Commission's "creation" of an explosive hydrogen bubble in the Three Mile Island (TMI) nuclear power plant accident in 1978.

The NRC told news reporters that a bubble of hydrogen gas had formed inside the pressure vessel of the damaged TMI reactor and that, if the bubble exploded, it could fracture the vessel and release massive amounts of radioactive material to the surrounding countryside. Several scientists and engineers quickly demonstrated to the NRC staff that there never was and never could have been any explosive potential from that bubble (the hydrogen *did* exist) because there was no free oxygen in the vessel to combine with the hydrogen to make the explosion happen. However, the NRC did not tell the news reporters about that useful piece of information, and to this day much of the public still believes there was great danger from that hydrogen bubble. Even when the Kemeny Commission's report was issued, clearly confirming the nonexplosive character of the bubble, neither the NRC nor the media sought to carry that message loudly and clearly to the public so as to allay its fears.

I applaud REASON's efforts to get the truth about these fear-producing fallacies out to its readers. Perhaps there could be a continuing department in REASON that would debunk similar fear-inducing frauds.

A. N. Tschaeche
San Jose, CA

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Taxing Choice

I was amazed and disappointed to find the article "After the Budget Ax Falls" by Dale H. Gieringer included in the May issue!...Mr. Gieringer implies that what he is proposing will provide both consumer choice and an alternative to the government providing certain "public goods." I grant that his proposal may be an alternative, but what kind of "choice" is it for the consumer? Having some "choice" in how monies are collected from you at the point of a gun (as taxes are) does not make taxation any less onerous or any more justifiable, it simply makes it a little more bearable; the pill becomes a little easier to swallow, so to speak....

Martin L. Edwards
Los Angeles, CA

Mr. Gieringer replies: In no way is my article intended to justify compulsory taxation. Rather, it suggests an ameliorative reform that could only lower, and in no case raise, anyone's taxes. Since even Mr. Edwards concedes that charitable tax credits would provide greater (though admittedly not complete) freedom of choice, it is difficult to understand why he should be so upset.

Evidently, any proposal short of complete abolition of taxes would dissatisfy Mr. Edwards. But would he therefore suggest that we ignore such ideas as tuition tax credits or tax substitution (see Fred Foldvary, REASON, Nov. 1978)? On the contrary, experience shows that successful political reforms seldom coincide with pure ideological principles. If only socialists had rejected the income tax because it fell short of *their* goal of abolishing private property! In this imperfect world, where many voters are indifferent or hostile to the principles of liberty, my article suggests a practical political reform by which we might hope to replace creeping socialism with its opposite.

Taxing Problems

Mr. Machan's editorial "Stop This Stealing!" (Apr.) was interesting and true, but I think he has overlooked the basic concept of the income tax—namely, that it is based on greed and nothing more. The original income tax law passed by Congress in 1913 did not tax the first $20,000 of income. It was the intention of those who voted for this tax that it should ap-

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ply only to those who had enough money to live off their financial investments. Twenty thousand dollars in those days would buy what $80,000 would today. The working class who voted for it (through their representatives) thought that it would never apply to them. And so it did not, up until about 1940, when we had to pay for military rearmament....

In order to enforce the income tax law, we have authorized the IRS to open our mail, snoop into our banking accounts, find out what brand of car we drive, tap our telephone, and actually do just about anything they want to. If the present trend continues, we will some day have a system just as bad as that which exists in the Soviet Union. There will be only one difference: our IRS snoopers speak English, while the Soviet snoopers speak Russian....

Income-tax collection is costing up to about $2 billion per year in salaries and fringe benefits for IRS employees. And this does not include the expenses of maintaining the tax courts or the expenses for businesses who are involved in tax litigation and the expense for a business when it acts as an unpaid tax collector for Uncle Sam. These costs are passed on to all of us in the form of increased prices for everything we buy....

It does no good to denigrate the income tax unless you provide a workable alternative. I propose to end the income tax and replace it with a federal sales tax or a value-added tax....The present coercive system would be replaced by a voluntary sales tax system. Those who wanted to contribute a lot to the federal government would buy a lot; those who wanted to contribute nothing and had enough determination, could do so by buying nothing and getting what they needed by barter. And no one would need government permission or have to fill out a report to do so, as we now have to do with the income tax system.

Kenneth J. Dollahite
Hayden Lake, ID

Barge Business

In the Trends column of the February issue, you applaud a recent declaration of the Association of American Railroads calling for an end to all transportation subsidies. In the same column, you repeat a charge which the railroads have tried hard to popularize, to wit: "The federal government has lavished billions on highways and waterways, providing rights of way to heavy truck lines and barge lines at far less than their cost."

There are errors in that statement which I would like to call to your attention. Barge lines do not have a right of way. Unlike trucks and rail lines, the barge lines do not travel on a specially purchased and dedicated "way" which has been set aside to be developed and used exclusively for transportation purposes. Barges compete for the use of public waterways with sailboats, canoes, rowboats, yachts, swimmers, duck hunters, and anyone else who may care to make use of the rivers and lakes on which barges move....

Railroads, in contrast, are the only mode of transportation that owns its rights of way. Their ownership privilege gives the railroads the right to bar anyone from using or crossing that private property without their express consent. This consent has been withheld from the competing pipelines....

The federal government assigns an average of about $600 million annually to the navigation account of the Army Corps of Engineers for operation and maintenance as well as construction expenditures on the 25,000-mile shallow-draft inland waterways system, but the federal investment in navigation represents only a small portion of all the money required to produce a waterway transportation service for the American economy. The Corps of Engineers estimates that the funds required for marine transportation in the next 20 years will amount to $74 billion, of which only 12 percent will be provided by the federal government.

It is estimated that nonfederal investments in waterway transportation facilities and services generate more than $5 billion in annual revenues for the federal government. This represents a return of at least 800 percent on its own modest annual investment in waterway transportation—and that is only the cash revenue. Not included is the value of the very large amount of intangible benefits in such areas as national defense, regional development (as in TVA), contributions to our balance-of-payments account, fuel savings, and environmental enhancement. If that is the result of waterway subsidies, then our national budget needs a lot more of that kind of subsidy payments.

Harry N. Cook, president
National Waterways Conference
Washington, DC

Mr. Poole replies: Mr. Cook's case for subsidies does not withstand scrutiny. To begin with, "sailboats, canoes, rowboats, [most] yachts, swimmers, [and] duck hunters" do not require *dredged* navigation channels in our lakes and rivers. Commercial barge lines do need these improvements, and it is they, not the taxpayers, who should pay for them. He also points out that industry itself invests large amounts in waterway transportation facilities. Of course it does. All that free-market advocates ask is that whatever waterway investments are now taken by force from the taxpayers be paid for instead by those who directly benefit. Is that so much to ask?

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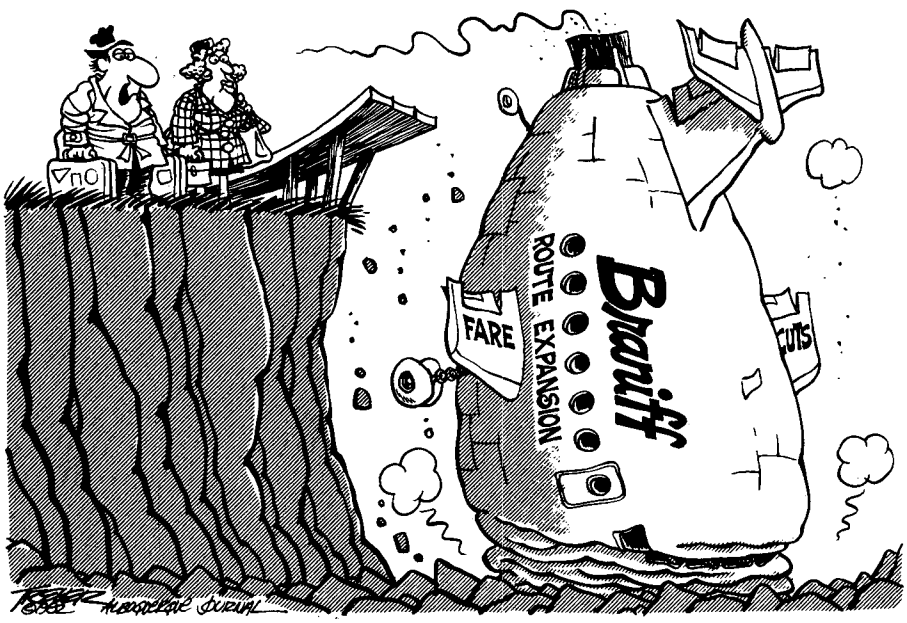
brickbats

A patient at a New Jersey hospital wound up paying an arm and a leg to have his fractured finger fixed, all because state health officials decided they know what's best for the patient. New rules state that hospitals will be paid a flat rate per diagnosis instead of the usual per diem charges. A few hundred assorted diseases have been categorized according to DRGs (diagnostic related groups). So this poor fellow with the wounded pinky had a pin inserted into his ailing digit. His injury came under DRG 348—"fractures with major surgery"—a category that also includes total hip replacement and amputation. Although he was in the hospital for less than two days and his actual hospital charges came to $804, the hospital was *required* by state law to charge him $4,931.20. As the saying goes, give 'em a finger and they'll take the whole arm.

"An exceptional measure of punishment"—the Soviet euphemism for execution—was recently carried out against a former deputy minister of fisheries. His crime? Vladimir I. Rytov was *believed* to have been involved in a multimillion-dollar scheme to smuggle expensive caviar to the West. Western partners allegedly arranged for the caviar to be sold at $100 a can, and Soviet officials drew their share from secret Swiss bank accounts when they came to the West on business. The Ruskies aren't kidding around when they say they're going to eradicate the bourgeois mentality.

If you had a nickel for every asinine remark made in the glorious name of "human rights," you'd be rich enough to buy the Falkland Islands, Great Britain, and Argentina lock, stock, and barrel. The latest outrage comes from John Wallace, chairman of the Fairfax, Virginia, Human Rights Committee. Mr. Wallace thinks *The Adventures of Huckeberry Finn* is "racist trash and anyone who teaches this book is a racist." By the way, Wallace is an administrative underling at the, you guessed it, Mark Twain Intermediate School in Fairfax.

China's policy of birth control with a vengeance has resulted in the death of one young mother. A worker cursed and beat his wife after she bore a baby daughter, then drove the woman to kill herself by drinking insecticide, the *People's Daily* reported. Xu Pingxi was outraged because his wife could never bear a son under the Communist government's rule of one child per couple. In China, sons are traditionally valued over daughters to carry on the family name. Food allowances are reduced for rule breakers who think they have the right to determine the size of their families.



"LET'S FACE IT— IF GOD HAD WANTED MAN TO FLY, HE WOULDN'T HAVE GIVEN HIM AIRLINE MANAGEMENTS...."

Unlicensed bus lines and gypsy cabs are competing with New York City Transit Authority routes. The city figures the privateers are siphoning off riders to the tune of $50 million a year in lost revenues. Mayor Ed Koch is simply chagrined that judges are reluctant to mete out stiff penalties because "they are sympathetic to the plight of passengers" who suffer delays waiting for licensed buses in remote areas. The public has already voted with its feet, and the only sensible thing left to do is to sell the city-owned buses and subways and let the gypsies run the railroad. They certainly couldn't do a worse job than the city does.

Ralph Walker, a convict charged with escaping from prison, convinced a judge to let him serve as his own attorney. His reasoning was sound. After all, he had studied law at Leavenworth for three years. The judge bought it, but Walker lost the case when he argued that his escape was permissible because jail conditions were so intolerable. Undaunted, Walker appealed to the federal courts on the grounds that the judge had improperly allowed him to represent himself. "We may surmise that there was some method in Walker's seeming madness," the appellate judges wrote. Nice try, anyway.

The New York City Sanitation Department has a legion of inspectors to make sure that there's no unauthorized pick-up of refuse. Armando Pollock, a Bronx school teacher, copped an empty can from a trash pile for use in his art class. He was issued a summons because of a law that prohibits anyone except a sanitation department employee from removing refuse. The incident has a funny smell to it, but the law is the law, and all that other garbage.

Soviet trade union newspaper *Trud* has a bone to pick with Russian dog owners for feeding meat—in critically short supply—to their pets. Selling thousands of tons of meat to pet owners when prices are kept at an artificially low $1.27 a pound is no petty thing. "Such indulgence is expensive for the state," the newspaper intoned. It's a dog's life all over.

—MARK EDWARD CRANE

A Former IRS Agent Speaks Out...

Call me a renegade. Call me a rebel. But don't call me dumb.

I used to work for the IRS. Now I work for you and other hard-pressed taxpayers.

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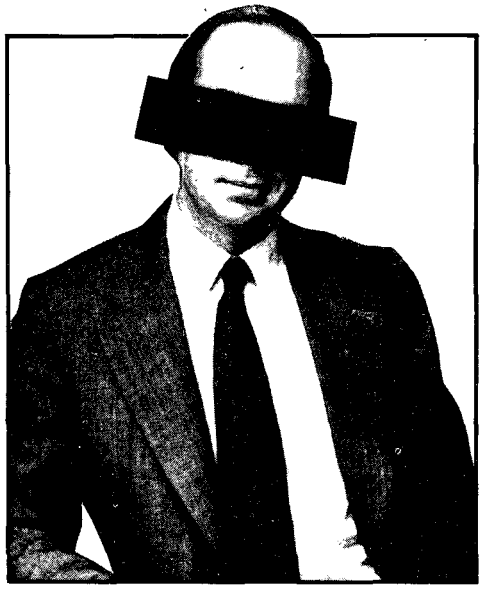

The first thing you should realize about our tax system is this: it doesn't work. At least, it doesn't work very well.

The only thing that makes it work at all is *fear.*

I can help take the *fear* out of the tax system and help you to claim every penny of deductions and savings you're entitled to.

And believe me there are a lot of them. You *can* save money. The rules and regulations which make up our tax system are so thick they make the World Book Encyclopedia look like a tiny pamphlet in comparison. And there's hardly a page among them that doesn't hold a clue to a money-saving idea. You just have to know where to look. And how to use them.

I can provide you with the who, what, where, and how you need to save money on your taxes...in the pages of the *Tax Savings Report.*

Tax Savings Report is produced by the National Taxpayers Union – a non-profit organization that has been fighting to lower your taxes for years. Each month it brings you up-to-date information which will help you cut your tax bill.

I'm not going to waste your time telling you how bad our tax system is. You know as well as I do that it's unfair and inefficient. Some people pay a lot. Others pay very little. I can help make sure you're in the second group.

Here are a few questions to ask yourself:

* Do you know how to tell the difference between a good tax shelter and a bad investment?
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* Are you taking advantage of the new gift provisions which allow you to vastly reduce your taxes by turning over as much as $20,000 annually to your children?
* Are you getting a tax credit when you purchase a new car?
* Do you know how to get tax-free money out of a corporation?
* Are you getting tax credits for energy savings, historic preservation, job creation and a host of other possibilities?
* Are you able to deduct the cost of commuting to work?
* Are you getting tax exempt income from stocks and bonds?
* Are you aware of the advantages of equipment leasing partnerships?
* Are you familiar with the use of trusts? Off-shore corporations? Tax exempt foundations?

These are, of course, just the *basic questions* of tax planning. Yet you'd be surprised at how many Americans overlook these savings.

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How to lend yourself money, pay interest on the note *yourself* and deduct it from your taxes.

How to convert ordinary income to capital gains and cut your tax bill in half.

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TRENDS

BALANCING ACT GAINS SUPPORT

The Reagan administration has thrown its support behind the balanced budget/tax limitation constitutional amendment now pending in Congress. President Reagan had previously endorsed the general idea of such a measure, but it was not clear whether he would back the current bill (S.J. Res. 58, H.J. Res. 350). But on May 19, Office of Management and Budget (OMB) director David Stockman testified before Congress in support of that specific measure.

The result of collaboration between the National Taxpayers Union and the National Tax Limitation Committee, the amendment would require a balanced federal budget each year (unless overridden by a three-fifths vote). Further, it would force Congress to comply largely by controlling expenditures, rather than raising taxes, since it would limit the growth of tax receipts to the growth rate of the economy.

Stockman based his testimony on the idea that the federal budget is *out of control* (as stated in this magazine's May editorial), backing up this argument with facts and figures. Concluded the budget director, "The spending bias now inherent in the political process cannot be overcome by statute."

Stockman was not originally enthusiastic about amending the Constitution. In March, columnists Evans and Novak released an internal OMB memo listing five generic concerns about such an amendment and five specific concerns about S.J. 58. But the unwillingness of Congress to come to grips with runaway spending has apparently changed OMB's position to one of support for the amendment as the only way out.

SOME ARE FLATTER THAN OTHERS

The latest Washington buzz word is the "flat rate" income tax—substituting a single tax rate (say, 15 percent) for today's array of "progressive" rates and myriad exemptions and deductions. What's amazing is the degree to which the idea is gaining supporters, left and right, even though it repudiates the liberal-left principle of taxing according to "ability to pay."

Back in 1960 when economist F. A. Hayek first proposed the idea in his book *The Constitution of Liberty*, it was considered reactionary to question the morality of "progressive" taxation. That was still the case when William Buckley revived the idea in 1973 in *Four Reforms*. And things were not much better three years later when William Simon made the case for a flat-rate tax in his *Blueprint for Tax Reform*. (We presented a discussion of the idea in our own pages with Timothy Condon's "Open Letter to President Reagan," in May 1980.)

But times have changed. The supply-siders have laid the pragmatic groundwork for a new push for the flat-rate idea. Their telling point is the easily understood idea that high marginal tax rates discourage hard work and drive people into tax shelters or the underground economy. Supply-siders like Paul Craig Roberts, Arthur Laffer, and Alvin Rabushka have been making the case for the flat-rate tax for several years now, to increasingly receptive ears.

But it is only in the past few months that the Washington powers-that-be have begun to embrace the idea. In the Reagan administration, both presidential counselor Ed Meese ("the progressive income tax is immoral") and Treasury Secretary Donald Regan have endorsed it. Flat-tax legislation has been introduced in the House by Ron Paul (R-Tex.) and in the Senate by Jesse Helms (R-N.C.). And it isn't just conservatives who like the idea. Neoliberal star Sen. Gary Hart (D-Colo.) and liberal Rep. Leon Panetta (D-Calif.) have also endorsed it. Senate Finance Committee chairman Robert Dole (R-Kan.) announced that his committee will hold hearings on the proposal this fall and urged the Treasury Department to study it before then. Among the interest groups, support is coming not only from the conservative Citizen's Choice but also from Ralph Nader.

Not that there aren't those offended by the idea and still committed to income redistribution. Many of these people are attempting to use the flat-rate bandwagon as a way of abolishing tax deductions and exemptions while retaining escalating marginal rates. Such people range from moderates like Sen. Daniel Quayle (R-Ind.), who proposes a two-tier flat rate (18 percent on incomes from $17,500 to $50,000 and 25 percent above $50,000), to liberal Bill Brodhead (D-Mich.), who urges a three-tier structure ranging from 10 to 20 percent. And then there are neoliberals Bill Bradley (D-N.J.) and Richard Gephardt (D-Mo.), who would retain the politically sensitive mortgage interest and charitable contributions deductions but eliminate most others—including the reduced rates for capital gains. Above a basic tax rate of 14 percent, the Bradley-Gephart bill would impose a progressive surcharge, ranging from 6 percent (at $25,000) to 14 percent (for income over $37,000).

So the lesson seems to be: read the fine print when somebody talks about a "flat-rate" tax. It may just be a progressive tax in disguise. Nonetheless, it is amazing to see how many people are finally willing to question the soak-the-enterprising philosophy that's been embedded in the tax code for nearly 70 years.

TRUCKS, TRAINS, AND PLANES— AND NOW BUSES

Deregulation has been a big hit with shippers. That's the finding of a survey of 2,200 businesses conducted last year by Boston-based Harbridge House, a management consulting firm. Both lower rates and improved service were cited by the firms that responded.

Many firms had expected deregulation, especially of railroads, to lead to cuts in service or higher prices. But by four to one, firms said conditions improved following 1980's partial deregulation of railroads. Overall, trucking deregulation was viewed favorably by 74 percent, while 21 percent viewed it unfavorably; rail deregulation was liked by 47 percent versus 27 percent opposed; air freight had a 38 versus 23 percent approval margin; and air express rated 37 percent for versus 12 percent opposed.

On the heels of these deregulatory successes, bus deregulation is moving up fast. Last November the House passed such a measure, and in May the Senate Commerce Committee passed a more sweeping version. With the support of both the Reagan administration and the Interstate Commerce Commission (ICC), the bill would reduce barriers to entering the industry, permit easier expansion of bus routes, and allow fare changes without ICC approval after a two-year

transition period. The House Public Works Committee has largely agreed to the Senate version.

Meanwhile, second-ranked Trailways is cutting prices aggressively in an attempt to amass more than its traditional 15 percent of the intercity bus market. (Number-one-ranked Greyhound has 65 percent.) Trailways says that its ridership has gone up by 50 percent since the price-cutting began.

LAND SALES LANDS BACKERS

Privatization of federal lands to help reduce the national debt (see "Privatize Those Lands," by Steve Hanke, REASON Mar.) is picking up support. A poll of the members of the National Federation of Independent Business found 62 percent in favor and only 30 percent opposed. And the National Association of Realtors has also lined up in favor. Jack Carlson, executive vice-president of NAR, told the Senate Energy and Natural Resources Committee in May: "The federal government has allowed many of its real property assets to lie idle. A private party could not afford to conduct business in this manner. Conveying property to the private sector will ensure the highest and best use of the property."

Late in May Interior Secretary James Watt announced that the presidentially appointed Property Review Board had identified 252 parcels of federal land for possible sale, with an estimated market value of $1.3 billion. The 200,000 acres are scattered around the country and include vacant land, improved property, and some military facilities. The specific parcels were not identified. The front-page article on this issue in the *Los Angeles Times* (May 25) quoted from Steve Hanke's REASON article on the economic rationale for privatization.

Critics have already begun referring to the plan as "piratization" rather than "privatization." And a front-page *New York Times* article (Apr. 16) claimed that members of the "sagebrush rebellion" would oppose the plan. In fact, however, one of the leading sagebrush rebellion groups, the States Rights Coordinating Council, has endorsed privatization (see Trends, Feb.). And SRCC president Joseph Lane was among the speakers at a June 21 Heritage Foundation conference on federal land privatization in Washington.

Environmentalists need to remember that it was one of their own, Garrett Hardin, who first pointed out the tragedy of the commons—the incentives for destructive overuse inherent in public land ownership. Privatization is, in fact, the only sensible way to solve that very troublesome problem.

CREATIVE HIGH-TECH

The semiconductor industry may be booming, but it has serious problems that may be coming to the fore quite soon. In the last two to three years, the amount of capital investment a company needs merely to keep its technology current has skyrocketed, and it's already beyond the reach of most small firms. In a field where innovation is the lifeblood, semiconductor and related electronics companies are "often forced to duplicate research efforts, compete fiercely for limited expert personnel, and forego long-range innovative research in favor of product elaboration to retain current earnings and market-share," according to a report from California Governor Jerry Brown's office.

In Japan, the government has responded to the need for huge capital investment by getting involved in the financing and planning of semiconductor research. But Pierre Lamond, a pioneer of the semiconductor industry in California's Silicon Valley, thinks he has a better way.

To avoid the duplication of research and development by semiconductor manufacturers, Lamond and another industry veteran, L. J. Sevin of Sevin Rosen Management Co., are planning to raise more than $50 million to create a for-profit research laboratory, tentatively entitled Megaram. It will develop new technologies and then license them to manufacturers. "We're struggling for a way for the industry to share research costs, like the Japanese do, but without going to the government for help," Lamond told *Business Week*. With a staff of 50 to 60 scientists, Megaram hopes to develop in four or five years the technology to make "megabit RAMs"—memory chips that can store one million bits of data (the best chips today can store about 65,000 bits).

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relationship with its semiconductor manufacturers ("We'll sell technology to Company A or to Company B, but we won't be owned by either of them," Lamond told REASON), Megaram will be avoiding one of the most vexing obstacles to high-technology research in the industry—the antitrust laws. There is a special incongruity in the law. As Rep. Don Edwards (D-Calif.), one of the most liberal members of Congress, has noted, firms with a relatively small market share that could lawfully merge under our current merger guidelines may be fearful of undertaking joint research and development activities. Such a mutual undertaking among competitors could be viewed under some judicial holdings as a *per se* violation of the Sherman Act, notwithstanding the freedom of such firms to take the ultimate merger step.

Fortunately, there may be a couple of ways around this snag. Edwards, in improbable combination with his traditional adversary on the Judiciary Committee, conservative Rep. Henry Hyde (R-Ill.), is pushing one of them on the federal level. They have introduced a bill that would require the Justice Department to grant "certificates of review" to companies cosponsoring technological research. If the attorney general determined that a project would be unlikely to violate antitrust laws, the companies would receive a certificate that would protect them from criminal antitrust actions and reduce their potential liability in civil actions to actual damages.

At the state level, an interesting initiative has come from the office of California Gov. Jerry Brown. Roger Carrick, Brown's deputy programs and policy assistant, happened upon an obscure 1943 Supreme Court decision, *Parker* v. *Brown*, which held that if a company could show that its alleged antitrust violations are actually mandated by state action, the company could use that as a defense and get off scot-free. In a 1980 case, *California Liquor Dealers Association* v. *Midcal Aluminum*, the Court held that this "state action defense" can work only if there is a "clearly articulated and affirmatively expressed...state policy" and if the restraint on trade is " 'actively supervised' by the state itself."

Based on these two decisions, Carrick came up with the idea of fashioning a state action defense that California's high-technology enterprises could use, and at virtually no cost to the taxpayers. He has proposed a "California State Research and Development Corporation," a state agency that would license joint high-technology research projects sponsored by two or more companies and give them the blessing of being in the state interest if the research would "spur economic progress and thereby preserve the state's economic base for sufficient revenues to meet state public policy needs."

The Carrick plan is a roundabout strategy for circumventing the antitrust restrictions on joint research and development ventures, but it shows promise; if it works, it could very well be emulated by other states. An early version was not reported out of committee this spring, but plans are afoot to reintroduce it in the California Assembly in August.

TALKING COMPETITION

More and more voices are being raised in opposition to the idea of continuing the monopoly status of local telephone service (see Trends, May). Most recently, the Federal Communications Commission asked the federal court dealing with the American Telephone & Telegraph antitrust settlement to make basic changes in that agreement. Specifically, the 54-page brief said that limiting the spun-off local phone companies to telephone service only would be "unnecessary and unwise."

In fact, as Peter Passell pointed out on the editorial page of the *New York Times* (Mar. 29), local phone service is no longer a "natural" monopoly. Cable TV firms can provide two-way voice service, as can the new cellular radio systems now coming into use for mobile phones. Ironically, the proposed settlement would allow AT&T—but *not* the local phone companies—to offer cable TV service, electronic publishing, and two-way consumer services. These are precisely the kinds of businesses that the local phone companies should be free to engage in, in competition with local cable TV companies. That way, neither phone company nor cable company would be a monopoly. Both could be left free to develop without the constricting hand of regulation.

CHANGING OF THE GUARD

"We should move toward a system where reserves provide the bulk of our forces while the actives provide the stiffening skeleton. With this new system, the cost of defense would be lower, and our capability would be greater." So saying, Rep. Newt Gingrich (R-Ga.) endorsed the recommendations of *Vista 1999*, a study prepared by National Guard officers at Defense Department request. Its basic proposal is to integrate fully the guard's air and ground forces using a "maneuver warfare" doctrine.

The maneuver warfare concept has long been advocated by the military reform group in Washington. In contrast to conventional US (and Soviet) attrition warfare—which attempts to dominate an enemy force by continued applications of heavy firepower—maneuver warfare seeks rapid exploitation of enemy weaknesses using flexible air and ground firepower. The study concluded that maneuver warfare is well suited to the guard "since it has older, less complex equipment, which is generally lighter than the heavy equipment likely to be encountered." *Vista 1999* recommended procurement of 670 lightweight air superiority fighters—either F-16s or F-5Gs—as well as 750 new-design close-support aircraft, much lighter and cheaper than today's A-10.

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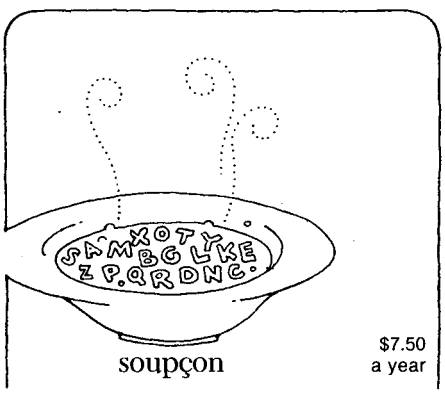
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The Language Quarterly

Gingrich has introduced an amendment to the Defense Authorization Bill to direct the secretary of Defense to outline the steps necessary to combine the Army and Air National Guards in accordance with the *Vista 1999* recommendations. Military reform caucus founder Rep. William Whitehurst (R-Va.) is supporting the measure.

Another advantage of the shift to improved weapons and maneuver warfare is that it would reduce US reliance on battlefield nuclear weapons—which pose the risk of escalation to a general nuclear war. Gingrich thus sees the move as an important step toward minimizing the risk of nuclear war.

SAVING ANIMALS FOR PROFIT

Can free enterprise have a beneficial effect on the animal kingdom? Can the interests of endangered animal species and human entrepreneurs coincide? Read on...

In 1978 the green sea turtle was listed as an endangered species by the US Fish and Wildlife Service and the National Marine Fisheries Service. The listing included a prohibition of all commercial trade in green sea turtle products in the United States. However, the Cayman Turtle Farm on Grand Cayman Island in the West Indies, a mariculture business operation, has been actually helping to conserve the species by careful captive breeding and by not depleting the wild sea turtle stocks. It is after all in the firm's economic interest not to deplete its source of income to the point of extinction.

The Cayman Turtle Farm requested an exemption to the trade prohibition, but in 1979 a US court decision upheld the ban. Even if the Cayman Farm itself wasn't doing any harm to the green sea turtle population, the court argued, the sale of its products in the United States would feed market demand for all sea turtles and make enforcement efforts against smuggling wild turtle products into the United Stated difficult. The turtle farmers are now making another attempt to get the ban relaxed, with help from the Pacific Legal Foundation and the Association for Regional Environmental Alternatives (see *Science News*, Apr. 17, 1982).

Meanwhile, in Namibia, *National Geographic* magazine ("Namibia: Nearly a Nation?" June 1982) reports that conservation experts have launched efforts to make game management a paying proposition. About two-thirds of the country's wildlife ranges are on private land, and farmers have been granted an ownership right in the game for trophy hunting and harvesting. The consequence is that "game is now treated as a renewable resource," said Dr. Eugene Joubert of the Agriculture and Nature Conservation Department.

The June issue of *Omni* carried a feature called "Big Bucks Ecology" on South African John Varty, describing him as "one of a new breed of conservationists in Africa who are choosing profits over passion." Varty and his brother have set up a 50-square-mile wildlife preserve called Londolozi (for "protector of living things"), where visitors pay $40 to $100 daily for rustic accommodations and the opportunity to see giraffes, elephants, sables, and other African wildlife. Projects like this are in grim contrast with wildlife preserves in some other African nations, where enormous parks have been set up by governments: in many instances, the animals in them have been the target of poachers and even of soldiers who gun them down for

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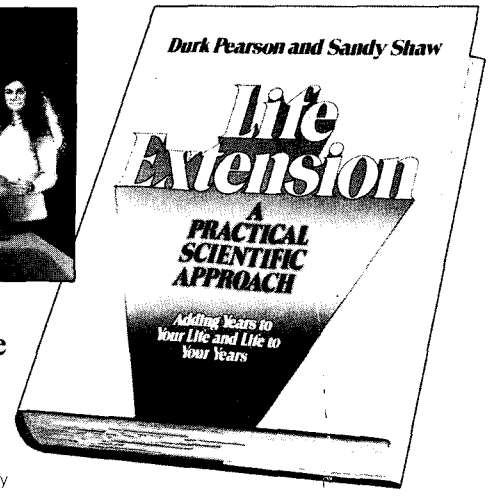
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—Robert L. Staehle, President
January 1979

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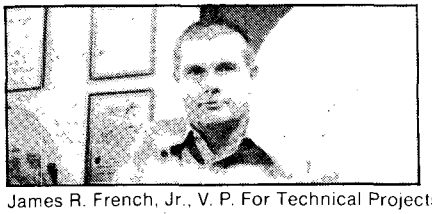

James R. French, Jr., V. P. For Technical Projects

Our staff consists primarily of engineers who have worked on projects funded by NASA. As such we have the skill and experience needed to do advanced space development. James R. French, our Vice-President for Technical Projects, has worked on programs from early rocket engine development for Apollo, to his present management of advanced planetary mission planning. Robert L. Staehle, the Foundation President, has been working in Mission Planning for 7 years and was formerly a Skylab experimenter.

These Projects are Already Underway:
Solar Sail Project

An advanced space propulsion technique is being developed by the Solar Sail Project. As with maritime sailing, solar sailing requires no propellants. All propulsion is from the very small, but steady force exerted by solar light pressure on a large, thin reflective sail. Solar sailing offers potential for high energy missions in the inner Solar System. Such missions include Mercury sample return, multiple asteroid rendezvous, and cometary encounters. Flight hardware will be tested in space, and is expected to lead eventually to commercial applications.

In August 1981, a one-half scale prototype sail was successfully deployed in an engineering test. At present a full sized (800 square meter) prototype sail is under construction. Hardware for the first orbital mission is currently being designed, and tested.

Asteroid Project

The Asteroid Project is helping to increase the number of known asteroids in the inner Solar System. Asteroids are potentially valuable for scientific exploration and economic development of space.

The project is assisting Eleanor Helin, a planetary scientist who has several hundred asteroids discoveries to her credit. The Foundation has supplied her with supplemental funding and assistants to help with photographic plate measurement and observations at Mt. Palomar. Amateur astronomer cooperation for photoconfirmation and photoelectric photometry is being arranged.

Asteroid Project subscribers have been offered the chance to name newly discovered asteroids. Asteroid number 2440 was named "Education" by subscriber M. Bush of Redmond, Washington earlier this year.

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sport (this has happened in Uganda, Tanzania, Sudan, and the Central African Republic).

"There are many people who believe faith will save the wilderness," says Varty. "I'm into the other point of view. If I'm not successful financially, I'm not successful at all."

GRAVY TRAIN HOLD-UP

Passenger trains may be romantic and charming, but they're also, under the present system, a huge drain on taxpayers. While no major form of transportation, with the possible exception of walking and tricycles, is totally independent of government subsidies, the subsidies poured into the Amtrak system are staggering: it is estimated that in fiscal year 1980, the government subsidy per passenger mile for air travel was 26 cents; for intercity bus, 15 cents; for auto, 21 cents; but for Amtrak, $27.91. By comparison, even Chrysler and Lockheed are resplendent examples of free enterprise.

An Arizona Transportation Department study took note of these statistics when Amtrak suggested that Arizona's state government help fund new rail service between Los Angeles and Tucson via Phoenix. The report, written by senior economist John Semmens, also noted that, according to Amtrak's own estimates, the proposed daily service would cost Arizona taxpayers about $991,000 the first year and gradually increase to $2.25 million in the fifth year of operation. This, of course, didn't take into account the annual subsidies to be provided by the federal government and the state of California.

The Arizona study went on to compare the true cost of travel by different modes between cities along the Los Angeles-Tucson corridor. Traveling from Phoenix to Los Angeles by rail would cost $283; by auto, $66; by air, $74; and by intercity bus, $42. The costs per passenger for a trip from Tucson to Phoenix would be $81 by rail; $20 by auto; $13 by bus; and $22 by air. Thus, in many cases the government could save money by simply giving travelers free airline tickets—and even paying for hotel rooms for a couple of nights at their destination—rather than running the Amtrak system at the deficit that the Amtrak economists were projecting.

With all this in mind, about 40 Arizonans, many associated with the National Taxpayers Union, started writing letters, calling their representatives, and testifying at public meetings against the proposed Amtrak service. The anti-boondoggle forces didn't exactly have impressive numbers of people behind them (although they probably didn't have large numbers of people opposed to them, either: Arizona Governor Bruce Babbitt's office said it had received a "flood" of letters in favor of the Amtrak service, but when pressed, it could find only two). Still, by persistence and ingenuity, they persuaded the state not to participate in the Amtrak project, and it has now bitten the dust.

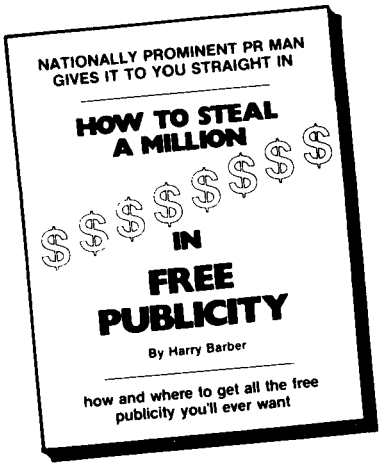
Part of the credit certainly belongs to the Arizona Transportation Department's first-rate report (*Tucson/Los Angeles Rail Study*, available from Semmens at the Department's Transportation Planning Division, 206 South 17th Avenue, Phoenix, AZ 85007). But much of the credit certainly goes to those feisty Arizonans who took the time to fight the proposal.

DIAL M FOR . . . FORGET IT

Remember the dramatic PR about the 911 universal emergency telephone number? Starting in the late '60s and all through the '70s, the telephone companies told us how the substitution of a single three-digit emergency number for those hard-to-remember police, fire, and ambulance numbers would speed help on its way to us, saving numerous lives and much property. The feds kicked in with grants to help build 911 emergency answering centers, and some states (California, for example) added new telephone taxes to help cities do the same.

Only trouble was, few people bothered to ask a simple question: Is all the trouble and expense really worth it? A study of police response times raised a few eyebrows. Back in 1976 a Police Foundation analysis in Kansas City, Missouri, found that cutting down on the time it takes for police to respond would make very little difference in overall arrest rates. But critics retorted that findings from one city don't establish a general rule.

Well, that complaint has now been answered. The Police Executive Research Forum has just released the results of a follow-up response-time study in four more cities—Jacksonville,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Peoria, Rochester, and San Diego ("Calling the Police: Citizen Reporting of Serious Crime"). The results confirm the Kansas City findings. The 911 number, found the researchers, is of "marginal value" in improving on-the-scene arrest rates for serious crimes. That's partly because 75 percent of all such crimes are discovered after the fact. Even for the other 25 percent, police are able to make on-the-scene arrests in only 29 out of every 1,000 cases—about three percent. Interestingly, the only city of the four with a 911 system (Peoria) had the greatest extent of delay caused by citizens looking through the phone book to find the police number.

Rather than spending more money on costly 911 systems, the researchers suggested that police departments improve their call-screening procedures to increase the odds of being able to respond at once to crimes in progress (mainly by *not* responding at once to minor matters), try to make it easier for citizens to report crime, and encourage community anti-crime programs like Neighborhood Watch.

RENT CONTROL SCORED

The President's Commission on Housing has proposed that the federal government cease aiding and abetting rent control. Although it backed away from its interim proposal of last January, which called for cutting off all federal housing funds to cities with rent control ordinances, the commission's final report does come out strongly against the practice. Specifically, it calls for federal legislation to "exclude from [local] rent control property on which loans are issued by a federally insured lender." Since the Federal Savings & Loan Insurance Corporation insures most S&Ls and the Federal Deposit Insurance Corporation insures most banks, the proposal would appear to exempt most rental property from controls.

More of the economic effects of rent controls are becoming evident in Santa Monica, California, site of the most stringent rent control measure in the nation (see "Socialism: On the Street Where You Live," REASON, Apr. 1981). As renters struggle to contend with the supply problems created by rent control, recent instances of multiple subleasing by Santa Monica tenants have come to light. In one case, tenants were paying $600 per month to live in a unit that they were subleasing from a second tenant who was, in turn, subletting from the authorized tenant. The "legal" rent was $395.

Yet another effect shows up in US Census figures. When rents are held below free-market levels, people have much less incentive to economize on their use of housing—for example, by having a roommate. Thus, it should come as no surprise that the fraction of single-person households in Santa Monica is 45 percent—double the national average of 22.7 percent and much higher than the California average of 24.6 percent. Rent control cannot change the basic facts of supply and demand. But it can produce windfalls for some at the expense of others.

POSTAL SERVICES DELIVER THE GOODS

Since last month's issue, there have been more happy developments in the mail liberation movement.

The Paseo Mail Center—the Camarillo, California, store that combines the best features of a post office (but without the lines) and a deposit center for UPS, Federal Express, and Transbox—is entering into an agreement with Sears, Roebuck to establish a pilot mail center in the Sears store in Stockton, California. If the venture is successful, it will pave the way for Paseo mail centers franchised in Sears stores throughout the West and then the rest of the country. Scott Adler, the entrepreneur behind the Paseo Mail Center, is also opening new stores in Ventura and Century City, California, along with the Stockton pilot store, in September.

Even though he's been in business less than a year, Adler's innovations and improvements are snowballing. He's investigating the possibility of combining mail centers with 24-hour electronic bank teller service and securing sites in banks and savings and loan buildings where people can do their banking and mailing in one place. He's already planning to eliminate the $1-$5 fee for 90 percent of the transactions in which the Mail Center computes the cheapest way to send a package and dispatches it. In fact, because of the rebates he's getting from private carriers in return for the business he provides them, Adler in many cases expects to charge customers even *less* than if they went directly to the private carriers' own deposit centers.

If sending a package in the Camarillo store is already a high-tech marvel, the three new stores will be a delightful excursion to Tomorrowland. You'll be able to present your package and a special card, and in less than 25 seconds, specially designed computers will print your return address on the package, calculate the cheapest available service for sending it (Camarillo handles four carrier services, but Ventura will have 10 and Century City more than 30), record the transaction electronically, and give you a receipt.

Other entrepreneurs are also getting into the act. Wayne Josephson, an investment banker, has opened two street-level stores in Manhattan called Citipostal. Billed as "postal supermarkets," according to *Business Week*, they sell stamps, rent lockboxes, and send packages via four carriers for a $2 service fee. And Associated Press reports that in Utah, you can send a first-class one-ounce letter via React Postal Service, a private company, for only 18.75 cents instead of 20 cents. The Post Office's rates for delivering mail already sorted according to zip code is 17 cents, and React sorts the mail and keeps the difference. So far, React's service is limited to Salt Lake City, Provo, and Ogden, but production manager Richard Stevenson says, "Just

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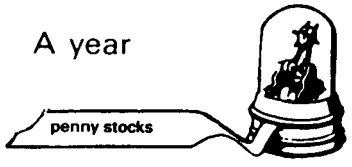

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give us a chance [to expand], and we'll do it."

Meanwhile, the Post Office has not been unmindful of its competition. It has printed posters with thick black borders and tacked them up in employee work areas. The posters' caption is, "If We Don't Deliver... Someone Else Will."

CHICAGO TRIES IT PRIVATELY

Chicago's garbage trucks, salt spreaders, street sweepers, and tree-trimming vehicles tend to spend more time in the shop than on the road. The blame lies with the creaky bureaucracy that does their maintenance—the Bureau of Equipment Service. Despite spending between $2,000 and $4,000 per mechanic per month on overtime, breakdowns were still frequent.

The final straw occurred in April when the entire fleet of 80 street sweepers was out of commission just when they were needed most. In quick succession, Mayor Jane Byrne announced the resignation of the bureau's director—and the privatization of the whole operation. At press time, it looked as if International Harvester was going to be selected to take over vehicle maintenance on an annual contract basis.

Chicago thus joins the ranks of cities all across the country which have found that better performance (and usually much lower cost) can be obtained by purchasing services competitively from the private sector. The *Chicago Tribune* supported Byrne's move as a step in the right direction and suggested applying the principle to another area as well: housing. It endorsed a City Club of Chicago proposal to contract out the operation of 2,000 of the city's 40,000 public housing units. The Chicago Housing Authority has been sharply criticized by the Department of Housing and Urban Development (HUD) for mismanagement and corruption. Privatization of housing management could hardly fail to improve the situation.

JITNEYS FOR LA

Fifteen-passenger private-enterprise minibuses may soon be competing head-on with government mass transit on 27 routes in Los Angeles. Two groups of entrepreneurs have applied to the state Public Utilities Commission (PUC) for permission to begin Los Angeles's first legal jitney service since World War I.

Francisco Medinilla and his two brothers are patterning their Express Transit after successful jitney services in their native Mexico. And Maxi Taxi founder Boris Gorbis recalls the jitney routes in the Russian city of Odessa, his birthplace. Both sets of entrepreneurs have amassed the support of private investors, who see a real need for the service.

Transit economists such as Charles Lave have long maintained that one of the easiest ways to cut the huge deficits of government transit systems is to permit competition so as to reduce the peak-hour transit load (see Trends, Sept. 1981). For the Southern California Rapid Transit District to have enough buses and drivers to provide good service at rush hour means having large numbers of $150,000 vehicles and expensive drivers idle most of the day. A PUC staff report agrees with that point, despite the RTD's vociferous objections. The RTD contends that jitney service would "skim revenues" from public transit. But PUC official Victor Weisser replies that jitneys would skim transit agency *deficits*, not revenues.

The *Los Angeles Times* and the League of Women Voters have endorsed the jitney proposals. The PUC's decision was expected by midsummer.

MILESTONES

• *Play it again.* Four years after Proposition 13, Californians again defied the politicians' threats of fiscal doom and approved tax-slashing measures on the June 8 ballot: one to index the state income tax to inflation, and two competing constitutional amendments to end state inheritance taxes. The voters also overwhelmingly defeated the Peripheral Canal water project (see REASON, June).

• *No city hall TV.* The voters of St. Paul, Minnesota, overwhelmingly defeated a ballot proposal to have the city government run the cable TV system, financed by $65 million in municipal bonds. The local bureaucrats' dream of a BBC on the prairies is no more; and the city will ask private cable companies to submit bids for an exclusive right to wire the city.

• *Kiddie rule limited.* Although it is now illegal in California to discriminate in the rental housing market against households with children, the State Court of Appeals has at least ruled that this restriction doesn't apply to condominiums. If condo project associations choose to limit occupancy, by contract, to people over 18, they can.

• *Boaters' pork barrel.* The Reagan administration has backed down on a plan to raise $800 million annually by charging small-vessel user fees to help cover Coast Guard expenses, according to the *Wall Street Journal.* Instead, the Transportation Department is now pushing a scaled-down replacement that would charge only for such "nonlife-threatening incidents" as rescuing boaters who run out of gas or get stuck on sandbars.

• *Volunteer deductions?* There is talk in New York State of providing state tax deductions for people who volunteer their services to nonprofit charitable organizations. One bill would provide up to $500 in deductions for people who contribute at least 100 hours a year. Senate Majority Leader Warren Anderson has appointed a task force to make recommendations, according to the *New York Times.*

• *If Schlitz can...* You've probably never seen hard liquor advertised on TV because of a ban by the National Association of Broadcasters, a private trade group. But a federal judge ruled in March that portions of the NAB's advertising code are unconstitutional. The NAB then suspended the code, so you may well be seeing vodka and brandy ads broadcast for the first time this summer.

• *False Tooth Ads?* Now that the American Medical Association is barred from prohibiting advertising by doctors, Los Angeles Superior Court Judge Harry L. Hupp has cleared the way for advertising by denturists, who make false teeth and bridges. The denturists hope to publicize the actual cost of artificial teeth so patients can compare that price with what dentists charge. They hope to embarrass dentists into lowering their prices.

• *Sauce for the Goose...* In mid-April, President Reagan sided with FCC Chairman Mark Fowler in opposing the Fairness Doctrine. "It is essential to extend to electronic journalism the same [First Amendment] right that newspapers and magazines enjoy," he wrote. Two weeks later, the Reagan administration invoked the Fairness Doctrine in a request for broadcast time to respond to the CBS News documentary "People Like Us." CBS, also invoking the Fairness Doctrine, declined the request.

—ROBERT POOLE, JR., AND PAUL GORDON

Don't Plan to Die

How much do you really know about nuclear war?

DO YOU BELIEVE that a nuclear war between the United States and the Soviet Union would destroy all life on earth? That the world would be seared to a crisp and the air, water, and land radioactively poisoned forever? Do you believe that we now have bombs that can incinerate half a continent at a time and that the survivors of a nuclear war would become unrecognizable mutants, doomed to roam forever in a totally devastated world? Do you think a nuclear war would be over in a matter of minutes—or hours, at the most? Have you heard that any survivors would be doomed anyway by massive outbreaks of leukemia and cancer in ensuing years? Is it obvious to you that there is no point in preparing to

BY BRUCE CLAYTON

Illustrations by Larry Carroll

survive a third world war?

If you said yes to any of these questions, you'd better sit down and read this article. Otherwise, the things you *think* you know about nuclear war may one day kill you—and your family and friends. Whether or not to prepare for a nuclear war is literally a life-or-death decision. You can make this decision based on the popular images of total annihilation, or you can get the facts.

My first exposure to scientific information on nuclear warfare occurred several years ago when I was a graduate student in ecology working in Montana. Since my research was located near Minuteman missile silos, I began to wonder about the ecological consequences of a Soviet nuclear attack on Montana's 200 silos. Of course I *knew* that a nuclear war would exterminate the human race, but in a spirit of scientific curiosity I decided to look into what the war would do to the rest of the natural world.

Our university library was a federal government depository, and I was astounded to discover the wealth of nuclear war material available to even the most casual reader, including details on the construction of the warheads in some cases. One book that was especially helpful was *The Effects of Nuclear Weapons*, edited by Samuel Glasstone and published by the Departments of Energy and Defense (latest revision in 1977). This book, available at any large library, contains the exact scientific details of the effects of nuclear explosions, with abundant technical details, photographs, and even a circular slide rule for calculating the range of damage for various sizes of bombs.

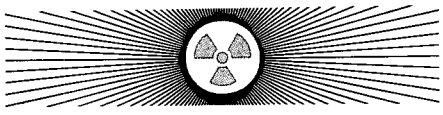
I read this book closely along with many other scientific publications about nuclear war, and I made a very disturbing discovery. *The stories I had always believed about a nuclear war exterminating the human race were not true!* They weren't even nearly true. A nuclear war would be survivable, I learned. In fact, an informed and prepared family could come very close to achieving a 100 percent probability of long-term survival.

Through my library research, though, I also discovered that, in addition to the scientific literature about nuclear war, there was abundant nonscientific literature. And the nonscientific books (usually antinuclear books) made very little mention of the scientific papers at all. Frequently, the information in these books was substantially in error, and the errors *always* pointed to the conclusion that the human race could not survive a war. In fact, the few cases I discovered in which the antinuclear books did mention scientific studies, there was usually a severe distortion or even an outright reversal of the information in the scientific sources.

I became deeply interested in the exact preparations that an individual or small group would have to make to enhance their survivability in the event of a nuclear attack, and my efforts to track down this information inevitably involved me in a close examination of the "no survivors" myths. I looked into them very carefully because I wanted to be sure that I wasn't overlooking even remote dangers to my family. All of this led me to write an article setting out the real effects of a nuclear attack on this country, compared to some of the more lurid stories that are being circulated about the impending extermination of our species.

Jonathan Schell's recent bestseller, *The Fate of the Earth* (Knopf, 1982), is but the latest in a series of antinuclear books putting forth the "no survivors" thesis. Schell was preceded by several years by Dr. Helen Caldicott, a pediatrician who wrote a popular book called *Nuclear Madness* (Autumn Press, 1978; Bantam Books, 1980); she remains a frequent lecturer on the subject. Caldicott is one of the central figures in a Boston-based group, Physicians for Social Responsibility, which has been spreading some substantially inaccurate information about nuclear weapons and nuclear war.

The tragedy is that such misleading information greatly hampers efforts to prepare the nation, or even individual families, to meet the challenges of a postwar period. The true horrors of a nuclear war need not be exaggerated to justify taking every plausible step to prevent such a war. When they *are* exaggerated, people become convinced that survival is impossible and will not make survival preparations. Because of the myths about nuclear war, these misled believers might very well die in a war or its aftermath even though they could have been saved.



When discussing the myths of nuclear war I often take a general approach, citing widespread rumors that the public erroneously believes to be the truth about nuclear conflict. I have found, though, that Dr. Caldicott's *Nuclear Madness* is a prime example of the misleading stories in actual use, so I am focusing on some of her claims to show that much of what people believe about the effects of nuclear weapons is a collection of falsehoods and exaggerations.

There are, for example, myths about the duration of a nuclear war. Most people have the idea that World War III would be a "spasm" war, lasting barely long enough for the missiles to make one round trip between the continents.

A full-scale nuclear confrontation could last about 30 to 60 minutes from beginning to end.

—Caldicott, p. 63*

Although this kind of sudden-death scenario is one that many free-world planners have used for their studies, it has a fatal flaw. *The Soviets don't believe in it.* Their military manuals and journals clearly portray the nuclear missile and bomber exchange as only the first phase of the war; in fact, they call it "the nuclear battle" rather than "the nuclear war." They envision a subsequent conventional war for world domination lasting for years after the initial exchange of missiles.

Then there are myths involving the size of the bombs. I do not wish to minimize the destructive potential of the nuclear warheads in the world's arsenals. Many people believe, however, that the bombs are big enough to destroy entire cities, or even continents, in a single explosion.

A 1,000-megaton device exploded in outer space could devastate an area the size of six western states.

—Caldicott, p. 65

This impressive picture does not square with the facts. First of all, *there aren't any 1,000-megaton bombs.* There probably aren't any 100-megaton bombs, either, although Khrushchev did once boast that Soviet scientists had built one. The largest bomb ever tested was between 50 and 60 megatons, and the largest warheads currently in service are in the 20- to 25-megaton range. Most of the Soviet warheads aimed at this country are in the 1-megaton class, and most of the warheads that we have aimed at the Soviets are about one-fifth megaton or less.

But since Dr. Caldicott brought it up, what would be the effects of a hypothetical 1,000-megaton bomb "exploded in outer space"? The blast wave theoretically would be able to cause significant damage to houses about 100 miles away. Of course, if the bomb were detonated in outer space it wouldn't produce a blast wave at all, but there would be radiated heat.

The heat from this imaginary bomb would be capable of igniting dry grass, dry pine needles, and similar materials to

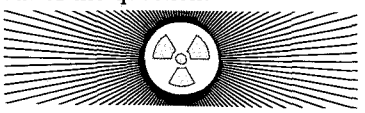
*Excerpts from *Nuclear Madness*, copyright © 1978 by Helen M. Caldicott. Brookline, Mass.: Autumn Press. Excerpted by permission of the publisher.

a radius of 30 to 40 miles or so (it is difficult to be precise because very large bombs do not start fires as effectively as small ones). Exposed people who did not dive for cover within 5 to 15 seconds could receive a first-degree skin burn as far as 85 miles away. An "outer space" burst, though, really ought to be at least 100 miles above the ground, and dry grass, pine needles, and so forth would not be up there in orbit with it. In short, even if a 1,000-megaton bomb did exist, it would be big enough to devastate a typical county but not "six western states" and not if detonated in outer space.

Dr. Caldicott's 1,000-megaton mistake is probably due to a very common misunderstanding about the size of nuclear weapons. It is usually phrased something like this: "The Hiroshima bomb started fires two miles from the hypocenter. Today we have bombs a thousand times bigger than that." The implication, of course, is that today's bombs would start fires 2,000 miles away. But it doesn't work that way.

The fact is that the radius of bomb damage does not increase in proportion to the megatonnage of the bomb. Specifically, every time you multiply the size of the bomb by 10, you multiply the danger radius by a factor of 2. So a 10-megaton bomb is only twice as dangerous as a 1-megaton bomb. If there were any 100-megaton bombs, they would be only 4 times as dangerous as a 1-megaton bomb; a 1,000-megaton bomb would be only 8 times as dangerous.

This is why there aren't any really big bombs. A single 100-megaton bomb couldn't do nearly as much damage as 100 1-megaton bombs. And continent-busting bombs are simply out of the question.



There are, however, lots of small bombs in the world's nuclear arsenal, and this brings up some of the most pervasive myths about nuclear weapons, having to do with "overkill."

The world's major military powers have built tens of thousands of atomic bombs powerful enough to kill the world's inhabitants several times over.

—Caldicott, p. 8

The United States and the Soviet Union already have enough firepower in their arsenals to destroy every city on earth seven times over.

—Caldicott, p. 67

Cresson Kearny, a gifted civil-defense researcher formerly at Oak Ridge National Laboratory, pointed out in his *Nuclear War Survival Skills* that statements like these tend to be exercises in sleight-of-hand with statistics. Usually the calculations involve such erroneous steps as looking at the Hiroshima experience to determine an average number of casualties per kiloton and then multiplying this casualty figure by the total number of kilotons in the arsenals of the world.

The deaths at Hiroshima amounted to about 70,000 persons, give or take a little depending on your definition of bomb-related deaths. The bomb was about 12.5 kilotons in size, which gives us a casualty rate of 5,600 per kiloton. A good-sized nuclear war by modern standards would involve about 10,000 megatons, which is 10 million kilotons. By multiplication, the current nuclear arsenal could kill 56 billion people, or many, many times the current world population.

What's wrong with this calculation? Many things. First, big modern warheads are not as efficient in producing casualties as were the smaller bombs used at the end of World War II. (There isn't as much kill per kiloton, so to speak.) To put it bluntly, once a bomb kills someone, using a bigger explosion to throw his lifeless body another 50 yards down the street doesn't make him any more dead. The estimate of 5,600 deaths per kiloton is inapplicable to today's megaton warheads.

Then, as Kearny points out, there is the unstated assumption that it would somehow be possible to gather all the people of the world into circular crowds approximating the population of downtown Hiroshima and then to drop a bomb on each crowd. It would be a remarkable feat to persuade the world's population to go along with such a plan. The point is that, even if there is enough theoretical "firepower" available to kill us all, as a practical matter the arsenals are only big enough to kill about half of the population of either warring country. For one thing, the warheads are mainly aimed at one another. The first act of World War III would be the commitment of nearly half of the world's arsenal to the immediate destruction of the other half!

Here's a slightly different version of this myth:

Between them the United States and the Soviet Union, alone, have deployed over 50,000 nuclear bombs which stand ready to exterminate virtually all life on earth.

—Caldicott, p. 61

I could quibble about the survival of radiation-resistant organisms like grasshoppers and crabgrass, but it is more to the point to mention *Long-Term World-Wide Effects of Multiple Nuclear Weapons Detonations*, a 1975 study by the National Academy of Sciences. This report estimated that the total radiation dose received by citizens in nonwarring countries in the 30 years following a war would be on the order of 10 rems.

It takes at least 150 rems of radiation exposure within a few days to threaten the life of a healthy human being. Except for a slight rise in the cancer rate, a 10-rem dose over 30 years is trivial. Since a war could not possibly kill off even the relatively susceptible human population, the extermination of "all life" is a little hard to envision.

Exaggerated claims about the effect on civilization are also widespread. Statements like this are typical:

A war fought with nuclear weapons would put an end to civilization as we know it.

—Caldicott, p. 61

It is probably quite true that a nuclear war would severely disrupt, perhaps destroy, the economic and social structure of the United States and western Europe. It is possible that it would also destroy the national structure of the Soviet Union, but that is less likely. (In some areas of Russia, for instance, the standard of living is so low that a nuclear war could do little to make it worse.)

It is very narrow of us, however, to state so blatantly that the destruction of the United States and western Europe would be the end of *civilization*. The people of Canada, Australia, New Zealand, and South Africa (to name only English-speaking countries) might not view our demise with such total despair. The Chinese would not miss us at all! Civilization is not confined within the borders of the United States, nor within English-speaking countries, and it will not vanish just because our cities have been badly used. Don't worry about civilization. Concentrate on staying alive to enjoy it.

In reality, even a very severe nuclear war that would kill half or more of the population of the warring countries would be expected to have little direct impact on the population of the rest of the world. The nations of the Southern Hemisphere and many Northern Hemisphere countries as well would emerge essentially untouched by direct weapons effects. There would be some rather substantial economic and social readjustments to be made, of course, especially if the Soviets were to succeed in launching their projected war of conquest following the nuclear exchange.

Another myth—of unprecedented destruction—shows dramatic historical myopia:

The detonation of a single weapon of this nature over any of the world's major cities would constitute a disaster unprecedented in human history.

—Caldicott, p. 62

On a qualitative basis, one recalls that the Black Death of the 15th century killed 25 percent of the population of the then-known world, but a very severe nuclear war threatens about 5 percent of today's world population. And this passage refers to only *one bomb*! On the quantitative side, the 25 million Russians who starved to death in the early 1920s deserve at least a nod. Then there were the volcanic eruptions at Pompeii and St. Pierre that killed almost everyone in these cities. The Romans, and later the Crusaders, were not above leveling conquered cities (so that no two stones remained together) and putting *all* of the defeated inhabitants to death. Neither a nuclear bomb nor a volcano can deal out death and destruction that thoroughly. Let's pause, too, and remember the millions of innocent people who got in the way of Hitler and the Nazis. *Unprecedented* isn't really the right word.

It should also be noted that a single bomb would destroy only a small part of one of "the world's major cities." As big as the bombs are, the cities are far larger. Civil defense experts anticipate that a Soviet attack on the Los Angeles area, for instance, could involve as many as 40 scattered one-megaton warheads. Even this saturation attack could be expected to leave a substantial proportion of the residents alive in pockets of the city that were not badly hit.

But the idea that cities would even be a prime target is itself a myth. Many people still picture a nuclear war as an exercise in "mutual assured destruction," in which the warheads would be aimed at

How to Be a Survivor

How can you increase the odds that you and your family would be among those surviving a nuclear attack on the United States?

To begin with, don't depend on the government to help you. After years of virtually ignoring civil defense, the feds are suddenly interested again. But the main focus of government activity—"crisis relocation"—is a nonstarter. Mass evacuation of city populations to unwilling host communities is impractical for a variety of reasons and, in any event, is unlikely to get through Congress. Unfortunately, its defeat will tend to discredit the whole concept of civil defense, which will be tragic.

What can you do on your own? Your basic need is solid, useful information on what will happen and what you can do to protect yourself. A basic reference work is *The Effects of Nuclear War* by the congressional Office of Technology Assessment ($5.00, Government Printing Office, Washington, DC 20510). This tells you in detail about blast and radiation effects, fallout patterns, and so on.

There are two essential works explaining basic methods of *self-help* civil defense—how to build simple, low-cost, improvised shelters and radiation detectors, what to do about food and water, emergency medical techniques, and the like. One is *Nuclear War Survival Skills* by Cresson H. Kearny ($9.95, available from Nuclear War Survival Bureau, Box 1144, Coos Bay, OR 97420, or from Caroline House Publishers, 920 W. Industrial Drive, Aurora, IL 60506; the latter takes credit card telephone orders at (312) 897-2050). Kearny, a civil engineer, developed these techniques while at Oak Ridge National Laboratory in the early 1970s. Many of the ideas are based on Soviet civil-defense manuals, hundreds of thousands of which have been distributed throughout the USSR. The other basic self-help book is Dr. Clayton's own *Life after Doomsday* ($19.95, Paladin Press, Box 1307, Boulder, CO 80306).

In addition, there are several periodicals that provide a wealth of relevant information. The newest of these is *Survive* ($12/year, 5735 Arapahoe Ave., Boulder, CO 80303), started last year. Regular contributors include Clayton, Jerry Pournelle, and Nancy Tappan. A British-based counterpart is *Protect & Survive Monthly* ($30/year, available in this country from Ark Enterprises, Box 1164, Fairborn, OH 45324). On a more technical level, there's the bimonthly *Journal of Civil Defense*, whose contributors include Drs. Edward Teller, Eugene Wigner, and Leon Goure ($12/year, Box 910, Starke, FL 32091).

—R. P.

major population centers.

Every American city with a population of 25,000 or more is targeted. . . Both major and minor population centers would be smashed flat.

—Caldicott, p. 65

There was a time when the missiles had to be aimed at cities because their guidance systems were not reliable enough to hit targets less than several miles across, but that time has passed. Today's warheads can all hit within a few hundred yards of the target, and some of them can literally crash on the lid of an enemy silo after 6,000 miles in flight. Big, "soft" city targets are no longer in vogue.

With the publication of *Soviet Strategy for Nuclear War* by the Hoover Institution at Stanford University, we now have a much better idea of the targets that the Soviets are likely to attack. Drawing on Soviet documents, the authors of this study show that major population centers as such are not on the list, although many of them would receive damage because of their proximity to other targets.

The Soviet targeting doctrine (and the US doctrine as well) places primary emphasis on destroying the other side's strategic weapons. In our case, this means that the first targets the Soviets would engage would be our Strategic Air Command bomber bases, Minuteman and Titan missile complexes, and our missile submarines both at sea and in port.

The second priority appears to be military bases of *all types.* In this category we might well include all civilian airfields capable of handling jet aircraft. (From the Soviet point of view, a TWA Boeing 707 is just a C-135 troop transport with a flashy paint job.)

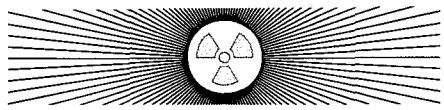
The third target priority is our electrical generating plants, including nuclear power plants, conventional gas- or coal-fired plants, and hydroelectric dams. After these comes a long list of government centers, industrial facilities, mines, transportation centers, and other targets reminiscent of World War II strategic bombing policies.

Many people are particularly worried about nuclear power reactors being struck by nuclear warheads. Often, the mode of discussion in popular anti-nuclear forums is to ask a few rhetorical questions and hint that the answers are obvious. The facts, however, tell a different story. (See Carsten Haaland's "Reactor Targeting: How Much Fallout?" *Journal of Civil Defense*, Oct. 1980.)

First of all, it is impossible to get a thermonuclear explosion out of a reactor by any means whatsoever. It just isn't built for it. Even a nuclear warhead cannot be detonated by another exploding warhead. Uranium and plutonium are not shock-sensitive like chemical explosives are.

But, could an enemy warhead smash open a reactor and throw radioactive material in all directions? It *could* happen, but most people overlook the fact that our nuclear power plants have been built within "containment" buildings whose walls are made of several inches of steel plate within several feet of reinforced concrete. The reactor itself is also encased in a similar steel and concrete capsule.

Our precautions against a runaway reactor have inadvertently made these power plants among the "hardest" targets in the nation. It would be far easier for the Soviets to use a normal warhead to smash the peripheral facilities, putting the plant out of business, than it would be for them to use one of their expensive new silo-busting warheads just to break through to the reactor itself.



Firestorms are the subject of another myth about nuclear weapons. Here is the popular image:

Each weapon's powerful shock wave would be accompanied by a searing fireball with a surface temperature greater than the sun's that would set firestorms raging over millions of acres. . . . Every 20-megaton bomb can set a firestorm raging over 3000 acres.

—Caldicott, p. 65

Notice first the remarkable internal contradiction in asserting that "each" weapon can incinerate "millions of acres," then asserting that each 20-megaton (largest available) weapon can set fire to 3,000 acres. But there are some other distinctly misleading ideas in this passage.

Let's look at those "acres": Three thousand acres is actually a little over 4.5 square miles, the area contained within a circle a little over a mile in radius. To put this in perspective, damage to lightly constructed houses can occur as far as 36 miles from a 20-megaton explosion. That means that the 3,000 acres is not a very big part of the total area devastated by the bomb and that most of the people caught within Dr. Caldicott's "firestorm" would almost certainly be dead or doomed by other factors anyway.

There is another difficulty here. US military and civil-defense planners tend not to be concerned about firestorms in this country. Modern cities are constructed largely of concrete, steel, glass, masonry, asphalt, marble, plasterboard, and similar materials. Although elements of the rubble from a modern city would certainly catch fire and burn, the special conditions necessary for the development of a true firestorm would be rare.

Firestorms are not an automatic result of nuclear explosions. There was no firestorm at Hiroshima or Nagasaki.

A related fear is of a wall of fire. Years ago, when the first hydrogen (thermonuclear) warheads were about to be tested in the South Pacific, some people speculated that the hydrogen in the warhead would "ignite" the hydrogen in the seawater and air, creating a self-propagating flame front which, they predicted, would sear all life from the surface of the planet. The bombs were set off and failed to exterminate us, but this failure did not exterminate the rumor.

Today no one seriously suggests that nuclear explosions will propagate through the atmosphere and envelop the planet with flaming gases, but there still lingers a miniature version of this myth called the "wall of fire." One example of it is embodied in Robert Merle's novel, *Malevil*, in which a single nuclear weapon exploded over Paris emits an expanding sphere of superheated gas that instantly cremates the entire population of France, leaving nothing but flakes of charred bone behind. I have seen this image discussed seriously in some nuclear-war survival manuals.

The imaginary "wall of fire" is a confused combination of three different nuclear-weapon effects. One of these is the *blast wave*, which spreads out from the center of the explosion like a ripple in a pond, crushing and knocking over buildings and other structures. The second effect is the *thermal pulse*, which is a few seconds of extremely bright light—bright enough to char or temporarily ignite the surface of exposed objects up to 10 or more miles away.

The third effect is the *fireball* itself, a bubble of incandescent gases that forms in the immediate vicinity of the exploding bomb. (The glowing fireball radiates the light that forms the thermal pulse.) A megaton-range fireball is about half a mile to a mile in radius, so even if it is actually in contact with the ground, it contributes little to the destructive effect of the explosion.

When a bomb explodes, the relatively small fireball quickly begins to rise into the air like a hot-air balloon. During the first 5 to 10 seconds, the heat and light radiated by the fireball shine on everything within several miles, scorching exposed surfaces and starting fires. The

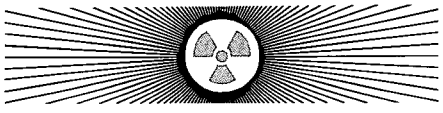
blast wave moves out much more slowly, taking two or three minutes to spread to the limit of its destructive radius.

The "wall of fire" misconception occurs when it is assumed that the fires started by a nuclear explosion must result from actual physical contact with the fireball itself, rather than by radiated heat, as is actually the case. It is only a short jump to the conclusion that, as Caldicott says, "each weapon's powerful shock wave would be *accompanied by* a searing fireball" (emphasis added). This is not the case at all. First there is a searing light; then there is a spreading shock wave. Except for the relatively small fireball itself, there is no expanding ball or wall of fire.

About that searing light: One of the best survival novels I know is *The Day of the Triffids*, by John Wyndham. The main calamity involves a secret weapon that backfires and blinds virtually everyone in the world. Many uninformed people believe stories predicting that this would happen to us in a nuclear attack.

The flash from a nuclear explosion is so bright that persons caught in it sometimes suffer from dazzlement for a period of several minutes. Even in severe cases, the effect is temporary, and there would be plenty of survivors who were indoors at the time and whose vision would be totally unimpaired.

Actual damage to the retina of the eye can also occur. If the victim were looking at the sky in the direction of the bomb at the instant of the explosion, the intense image of the fireball would burn a spot on the retina. Even in this case, however, the result would not be blindness, but slight, though permanent, vision impairment from a tiny spot of retinal scar tissue. This effect gets a lot of attention from antinuclear spokesmen because the retinal-spot burn can occur over 200 miles away under ideal conditions—but those are rare.



Some of the more pernicious myths about a nuclear war state that even if survival itself were possible, the survivors would eventually be wiped out by radiation-induced cancers. This story attains its greatest credibility when spread by physicians, who ought to know better.

> *The long-term fallout effects in the countries bombed would give rise to other epidemics. Within five years, leukemia would be rampant. Within 15 to 50 years, solid cancers of the lung, breast, bowel, stomach, and thyroid would strike down survivors.*
>
> —Caldicott, p. 66

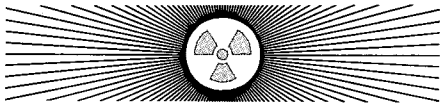
What does this passage say, exactly? Would all survivors be struck down, or only a few? What does it mean to say that leukemia would be "rampant"? Are we talking about the *long-term effects* of fallout or the effects of *long-term fallout*?

Long-term fallout is a very fine dust suspended in the atmosphere as an aerosol. It would slowly sift down to the ground over a period of several years after a war. It would spread itself all over the world more or less evenly, but by the time it reached the ground it wouldn't be very radioactive anymore. This is the source of a 10-rem, 30-year dose mentioned above.

By contrast, the fallout that might be able to cause "rampant" leukemia is *local* fallout, which would come to the ground in the vicinity of the target within the first 24 hours after an explosion. This would not be a worldwide effect and therefore would have little impact on the survival of the human race.

And the local inhabitants? According to Glasstone's *The Effects of Nuclear Weapons*, the experience of the Japanese indicates that there would be a surge of leukemia cases 5 to 10 years after a war, but only among those people who received large doses of radiation and were fortunate enough not to die of radiation sickness. The predicted incidence of leukemia among adults who were exposed to 100 to 200 rems would be between two and four cases per thousand. Surviving severely irradiated children who were under 10 years old at the time of exposure would be twice as susceptible, which means four to eight cases of leukemia per thousand. A leukemia rate approaching 1 percent of the radiation patients would be tragic, but it wouldn't exactly mean the end of our species.

How about those other cancers that would "strike down survivors"? Over the period of 15 to 20 years following the war, the *heavily irradiated* survivors as a group would produce three cases of cancer where we would normally have expected to find only two. In Japan, out of 109,000 A-bomb survivors, only 5,700 were heavily irradiated. Of these, between 1960 and 1970 (15 to 25 years later) a total of 47 had died of cancer, as opposed to an expected cancer death toll of 30.



Other health-related myths center on radiation and genetics. Typically, the claim is either that a nuclear war would make human reproduction impossible or that our children would be severely deformed by the radiation.

> *Exposure of the reproductive organs to the immense quantities of radiation in the explosions would result in reproductive sterility in many. An increased incidence of spontaneous abortions and deformed offspring, and a massive increase in both dominant and recessive mutations, would also result. Rendered intensely radioactive, the planet Earth would eventually become inhabited by bands of roving humanoids—mutants barely recognizable as members of our species.*
>
> —Caldicott, p. 66

> *Reproductive genes will mutate, resulting in an increased incidence of congenitally deformed and diseased offspring—not just for the next generation, but for the rest of time.*
>
> —Caldicott, p. 3

Dr. Caldicott, a specialist in the genetic diseases of children, is no doubt moved by compassion for her patients. But let's take a closer look at what is known in this area.

According to Glasstone, most of the Japanese victims who were exposed to enough radiation to be rendered sterile did not survive the experience. Of the remaining heavily irradiated and supposedly sterile survivors, some subsequently produced normal children, which indicates that the condition was actually a temporary one.

As for spontaneous abortions, it is important to realize that these unpleasant events are nature's way of *preventing* the birth of malformed infants. Not many people are aware that between 10 percent and 40 percent of all normal pregnancies terminate spontaneously anyway, probably due to developmental abnormalities of the embryo.

What about those unrecognizable mutants roaming the earth? Would this really happen? Would there be substantial genetic damage to the human race? Would the damage be permanent, as Dr. Caldicott indicates? There are four interesting lines of evidence to examine here.

First is the universal observation of biologists, geneticists, and physicians that a fetus that is so deformed as to be *unrecognizable* virtually always dies. (There are exceptions in plant genetics, but they do not concern us here.) An equally universal observation is that a severely deformed (but recognizable) individual who manages to reach sexual maturity usually has a terrible time acquiring a mate and eventually dies without offspring. The establishment of a race of unrecognizable mutants would be quite difficult.

Additional evidence against the likeli-

hood of unrecognizably mutated offspring is to be found in two reports published by the National Academy of Sciences in 1975 and 1977. The first estimated that a 10,000-megaton war would result in significant but temporary damage to the gene pool of our species.

The report forecast that damaged genes would increase the birth-defect rate and that natural selection would weed out these damaged genes over a period of about 1,000 years. That's quite a while, but not "the rest of time."

The "significant" rise in birth defects predicted by the report was from today's normal rate of 60 per 1,000 births to a postwar peak of 61 per 1,000. Once again, this would be a tragedy for the individuals involved but not a destruction of the genetic integrity of the human race.

The 1977 NAS study was even more reassuring. This was a 30-year follow-up study of the Japanese atom-bomb survivors, which showed among other things that there was *no* abnormal incidence of genetic disease among the offspring of the irradiated survivors. Even that one extra malformed infant did not put in an appearance.

Here's another example of the claim of mutations running riot:

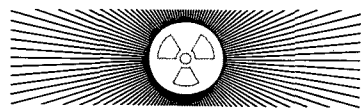
In the aftermath, bacteria, viruses, and disease-carrying insects—which tend to be thousands of times more radioresistant than human beings— would mutate, adapt and multiply in extremely virulent forms.

—Caldicott, p. 66

There has been some scientific concern that increased background radiation might produce an increased mutation rate among insects, bacteria, fungi, and viruses, but the concern is more often expressed in terms of our agricultural crops. The rate of mutation and evolution of crop pests is staggeringly high even under normal conditions. Insecticides rarely work for more than a few years before the target insects develop genetic immunity to them, and microorganisms can become resistant to antibiotics even faster, sometimes in a matter of hours. There is no need to invoke radiation, and probably no point.

A less obvious comment is that the natural evolution of infectious diseases tends to be from more virulent to less virulent forms. Disease organisms are parasites, after all, and it is poor practice for a parasite to kill its host. The residual radiation from a nuclear war could produce new and "extremely virulent" diseases, but it could just as easily result in dangerous disease organisms mutating to *benign* forms. From an evolutionary standpoint, the latter would be more likely.

There is some concrete evidence for this prediction in the work of Soviet geneticists studying native populations of heavily irradiated plants and animals in the region of the 1957 Kyshtym nuclear waste accident in the Urals. Radiation levels there were far in excess of those expected from nuclear war fallout. After the local ecosystems had experienced more than 10 years of severe radiation stress, the geneticists discovered that several species of plants and animals had developed definite signs of genetic mutation and adaptation... toward increased resistance to radiation. The final point, therefore, is that radiation-induced mutations, even if they did occur, would not be all bad and could even be beneficial.



Would the survivors of a nuclear attack be able to continue to survive?

Those who survived, in shelters or in remote rural areas, would reenter a totally devastated world, lacking the life-support systems on which the human species depends. Food, air and water would be poisonously radioactive.

—Caldicott, p. 66

I will state for the record, as have countless civil-defense writers before me, that fallout radiation passes harmlessly through air, food, and water without making them radioactive. The only danger would be to eat food with fallout particles on it. Wrapped food would not be contaminated even if there was fallout dust on the wrapper—you'd just need to be careful about how you opened it.

Water from deep wells and surface water from fallout-free areas would be as potable as ever. (Careful—some of it isn't

safe to drink even now.) Fallout cannot make water radioactive, but fallout dust in the water would have to be removed before drinking. Simple straining or settling will catch most of it, and there are simple chemical procedures that will remove most dissolved radioactive chemicals from water, such as filtering it through a bucket of earth. A standard water softener does a good job, too.

This is one area where a little preparation would help, but even people who would have to drink contaminated water wouldn't just curl up their toes from the "poison." Fallout is radioactive, but it is not chemically poisonous like nerve gas.

As for radioactive air—air is already radioactive. Carbon-14 is in the air and in your bones, not to mention everywhere else, and after a nuclear war things wouldn't be much different. During fallout emergencies, it would be a good idea to filter the air you breathed to avoid getting radioactive dust into your lungs and to remove any gaseous radioiodine. A prepared person would have no difficulty dealing with these temporary hazards.

Another concern about survival has to do with the ozone layer. The *ozone layer* is the popular term for the portion of the atmosphere that absorbs most of the ultraviolet (UV) light in sunlight. UV light is the part of the spectrum that causes sunburn and can burn animals and plants as well.

The 1975 National Academy of Sciences study predicted that a nuclear war would produce atmospheric chemical reactions that would deplete the ozone shield by 30 percent to 70 percent, resulting in a possible six-fold increase in the amount of UV at the surface. This quantity of UV, it was calculated, would be enough to give Caucasians a severe sunburn in a few minutes; and many plant species, including some crops, would not be able to withstand it. The report predicted major ecological disruption, with a return to normalcy requiring 30 years, although near normalcy would be realized within 4 or 5 years.

As an ecologist, however, I find somewhat overstated the assertions that high UV would wreak ecological havoc. If the UV threat did in fact materialize—and the whole question of normal and required ozone levels is very much in debate right now—its effects on terrestrial life would be manageable and temporary. High UV levels would be present only during the daylight hours; nights would be normal. Humans could wear protective clothing and stay out of the sun during the middle of the day. Wild animals already confine their activities to the night, early morning, and early evening when UV levels would not be a problem.

Would high UV make farming impossible? It is true that many crops could not withstand it, but wheat, corn, and rye are not among them. We would have to do without onions for a few years, but the supply of bread and whiskey would not be interrupted—at least not by UV.

As for wild plants, they, too, routinely make use of "refuges." Even though a certain species may grow best on sunny hillsides, a few individuals will almost always be found growing on the shady side of the hill, in the shade of a tree, or in the shade of larger members of the same species. Even if the species as a whole were decimated by overexposure to UV, these refugees would make it through. Lastly, it is not uncommon for seeds to lie dormant in the forest floor for decades, waiting for a forest fire to remove the overstory before they sprout. These seeds, too, would be unaffected by high UV levels. If the ozone layer were depleted by a nuclear attack it would be a wild ride, but things would eventually return more or less to normal.

How many times have you heard somebody say something like this? "I don't have to worry about my family surviving the war. Where we live, we'll be vaporized instantly." Another version goes like this: "I just hope the first bomb drops on me—I don't want to be around to see the aftermath."

The painless, instantaneous death these people long for is another of the myths about nuclear war and may be the worst of all. Thermonuclear explosions kill by inflicting injuries similar to those of a serious automobile accident—impact injuries and severe burns. It is true that there is a zone around the bomb within which we can expect 100 percent casualties; but in an air burst over a city, there is no zone of guaranteed instantaneous death. (Ground bursts with their craters do offer a very small zone of guaranteed instant death, however.)

As an example, at Hiroshima there was a group of Japanese army antiaircraft gunners who were tracking the bomber when the atom bomb exploded almost literally in their faces. It killed them—yet they walked around pleading for help, faceless, blinded, and in agony for more than a day before finally dying.

If you have been taking refuge in the "instant death" myth, consider this: It is true that you might get lucky; a building might fall on you, and your worries would be over. But there is no guarantee that the same building would also instantly kill your spouse, children, or other relatives. When you decide to make no preparations, hoping for the "first bomb" to fall on you, you may be condemning them to experience the terror and pain of a reality that you will not face now even in imagination.

There are many more nuclear-war doomsday myths, ranging from minor misunderstandings to outright falsehoods. People like me who are vitally interested in nuclear survivalism and in civil defense have investigated every doomsday rumor we have encountered, and they have all turned out to be false or blown far out of proportion to reality.

Why are there so many of these myths? It is true that the effects of nuclear war extend into so many scientific and military disciplines that no one person can hope to be well informed about every detail, and there are many opportunities for honest misunderstandings. But I have come a long and painful way since my early days attending disarmament meetings in college. At first I thought disarmament leaders were noble crusaders. Later I realized that their grasp of nuclear weapons effects was so faulty that they had to be either incompetent or dishonest. I concluded that their zeal to save mankind had outrun their expertise. Then I began to encounter disarmament leaders who were definitely competent and who were definitely lying to their audiences about the contents of the scientific literature in their fields.

I still believe that there are many genuinely concerned Americans participating in the peace movement, especially at the local level. At the national and international level, however, we all too often encounter physicists who promote untruths about physics, retired military men who tell falsehoods about weaponry and strategy, politicians who make apologies for Soviet aggressions and transgressions—and physicians who disseminate misleading apocalypse stories.

It is essential that Americans become aware of the nature and extent of distorted information these people have drummed into our national consciousness during the last decade. Our civil defense programs, national defense programs, and future as a free society may all depend on it. There isn't much time left, but the fact that they are still trying so hard to stop our civil defense efforts means that something can still be done. It's up to us to do it. ◧

Bruce Clayton has a doctorate in plant ecology and is the author of Life after Doomsday. *This article is adapted from an article in* Survive, *by permission of the publisher and the author.*

BENITO AND FRANKLIN

There were striking parallels between the economic programs of Mussolini and FDR. Were they coincidental?

JANUARY 30TH marked the centennial of the birth of Franklin Delano Roosevelt. Congress, ever ready to honor a fellow statist, held a special celebration two days earlier. A three-hour television extravaganza on FDR and the New Deal, featuring all four living American presidents, was broadcast on January 29.

The Smithsonian Institution has come up with a year-long series of exhibits and symposia commemorating the great man. The public will be inundated with books and articles on the glories of the Roosevelt era for at least the rest of 1982 and probably into 1983, which itself marks the 50th anniversary of the New Deal. Welfare state nostalgia is running strong.

A slightly discordant note was sounded by President Reagan who, in the course of an interview last December, opined that many New Dealers espoused fascism. The *New York Times*, ever-vigilant custodian of liberal mythology, scurried to estab-

By Donald Feder

Photographs from The Bettman Archive

lishment historian Arthur Schlesinger, Jr., for a rebuttal. "A gross distortion of history," Schlesinger harrumphed. "Fascism was the last thing on the mind of Roosevelt or anyone around him.... There was no hint at any point during the Presidency of any desire to establish a one-party state—and that's what fascism is all about, the suppression of all political opposition."

This, of course, begs the question. While dictatorship may be an element of fascism, it is hardly its distinguishing characteristic. *Dictatorship* and *fascism* are not interchangeable terms, else one would be forced to conclude that the Soviet Union is a fascist state. Conversely, a nation can have a fascist economy (its government may be motivated by the fascist ideology) without succumbing to dictatorship. Although fascism will ultimately lead to the loss of political as well as economic freedom, the Nazis came to power via the democratic process.

Mr. Reagan, in his own offhanded way, had stumbled upon a profound truth. Of all the epithets hurled at the New Deal—monarchy, socialism, communism—fascism comes the closest to describing accurately its economic philosophy.

Although fascism is frequently associated with Hitler's campaign against the Jews, antisemitism is not a defining characteristic of the fascist ideology. Fascism, like capitalism or communism, is a form of economic and social organization. It is a variant of collectivism in that it subordinates the individual to the collective—in this case, the nation. Adolph Hitler stated the fascist position quite succinctly: "It is thus necessary that the individual should finally come to realize that his own ego is of no importance in comparison with the existence of his nation as a whole...and that the higher interests involved in the life of the whole must here set the limits and lay down the duties of the interests of the individual."

Unlike the communist state, where the government actually owns the means of production and distribution, the fascist state maintains a capitalist facade. Most businesses are privately owned. Nevertheless, the state effectively controls the factors of production and directs them for its own ends—the hypothetical good of the community.

Contrary to the charge of many opponents, the New Deal wasn't "communistic": *state ownership* of farms and factories was not on FDR's agenda. Rather, the goal of New Deal economic policy was *state control* of industry and agriculture—a merger of business and the state. Hence its essentially fascist nature.

Flanked by his cabinet and congressional leaders, President Roosevelt signs a bill.

FASCISM IN PRACTICE

In the fascist state, every economic transaction is subject to regulation. The manifesto of Mussolini's Fascist Party created an open-ended program for economic interventionism: "In the national economy, everything that, in scope or function, goes beyond private interests and affects those of the community comes within the State's sphere of action." At its first meeting, in 1919, the party adopted a platform calling for, among other measures: control of factories, railroads, and public services by collectives; minimum wages and an eight-hour work day; extension of social insurance; and heavy inheritance and income taxes.

Fascism might be termed the complete bureaucratization of a nation's economy. Economist Ludwig von Mises, himself a refugee from Nazism, once described the operation of the National Socialist economy: "There is no labor market; wages and salaries are fixed by the government. The government tells the shop managers [industrialists] what and how to produce, at what prices and from whom to buy, at what prices and to whom to sell. The government decrees to whom and under what terms the capitalists must entrust their funds and where and at what wages laborers must work. Market exchange is only a sham. All prices, wages and interest rates are fixed by the central authority."

Under both German and Italian fascism, industry was organized into cartels (in Italy they were called corporatives). The cartels were state-sponsored trade associations; membership was mandatory. The cartel for a given industry determined the level of production and assigned quotas to various member firms. It also set prices and determined the method of distribution of finished products, including their recipients. This was all done under the aegis of the state.

Cartels had been employed to a limited extent by both the German Imperial and Weimar governments. The Nazis expanded the program until it encompassed all industry in the Reich. By a law enacted on July 15, 1933, within months after Hitler became chancellor, the minister of economics could force firms to join or organize cartels.

These state-sanctioned monopolies permeated all levels of the German economy. Even skilled tradesmen, such as plumbers and masons, were organized into guilds. After 1935, a masters examination in each craft was a prerequisite for starting a new business.

Besides directing the operation of industry, down to the most minute detail, the fascists were obsessed with controlling the lifeblood of the economy—financial capital. "In fascist Italy," said Mussolini, "capital is at the orders of the State."

As with industry, the Nazis preferred to control German finance by indirect methods. The state first determined which firms it wanted to expand. These businesses were then authorized to buy capital equipment or raw materials. In many instances the state also purchased the finished products. To finance this expansion, the banks were forced to accept either the industry's promissory note for the funds it needed or the government's note for the products purchased. In either event, the Nazi state had managed indirectly to socialize investment. As author John Flynn observed in his 1943 book, *As We Go Marching*, the German state "becomes the universal banker, investment broker, biggest bond-holder and, in many cases, shareholder."

THE FASCIST DEAL

In the United States, the flagship of New Deal programs was the National Recovery Administration (NRA), organized under the National Industrial Recovery Act of 1933. In May of that year, Anne O'Hare McCormick, writing in the *New York Times Magazine*, commented that the new administration's program, the New Deal, "envisions a federation of industry, labor and government after the fashion of the corporate state as it exists in Italy." FDR was to go far beyond the tentative business-government partnership set up by Herbert Hoover via the Reconstruction Finance Corporation.

The National Recovery Administration put in place a system that was in many ways similar to the German and Italian cartels. The NRA organized corporations into code authorities. These code authorities, under power delegated to the president, were authorized to make rules and regulations for entire industries, including limiting production, setting prices and wages, and determining distribution of products. The regulations, called codes, were legally binding, and violators were subject to fines and imprisonment.

The administration negotiated 557 basic codes and 208 supplementary codes with various industries. Although the NRA codes were eventually held unconstitutional by the Supreme Court, throughout his administration Roosevelt sought to effect this type of control of industry.

During World War II, New Dealers set up the National Resources Planning Board. In a 1943 report to Congress, the board detailed its plans for the postwar economy, which included a continuation of war-time controls on "all scarce goods," a "joint partnership of government and business" in a number of vital industries (ship building, the aircraft industry, communications, and chemical manufacturing), and government subsidies for urban development, housing, and agriculture. Congress was shocked by this proposed expansion of the federal government and immediately abolished the National Resources Planning Board, over FDR's vehement protests.

Perhaps the most state-dominated area of the German economy was agriculture. Hitler's solution to the problem of farm bankruptcies was simply to prohibit foreclosure by creditors. Thereafter, farms could only be transferred by inheritance. Production and marketing of agricultural products was rigidly controlled, and prices were fixed at an artificially high level.

Through the Agricultural Adjustment Act of 1933, the New Deal tried to apply the cartel principle to farming. The act authorized the government to restrict the quantity of agricultural products brought to market, in an effort to keep prices high by keeping supplies low. When this was invalidated by the Supreme Court, a second Agricultural Adjustment Act (1938) attempted to achieve the same end by more devious means. The 1938 AAA permitted the state to make "parity payments" to farmers, to put their incomes on a par with the post-World War I ratio between farm product prices and other consumer prices. It also allowed the administration to limit production through subsidies tied to quotas or acreage restrictions. Production could also be limited by the vote of an association (cartel) of producers of a given food stuff.

The New Deal also brought the state into farm financing with the Farm Bankruptcy Act and Farm Credit Administration. The latter refinanced one-fifth of all farm mortgages between 1933 and 1934.

THE SOCIAL AGENDA

The great goal of fascism, declared Mussolini, was "the distribution of wealth, so that the illogical, paradoxical and cruel phenomenon of want in the midst of plenty shall not be repeated." With these sentiments, the Fuhrer concurred. Said Hitler: "We shall banish want. We shall banish fear. The essence of National Socialism is human welfare." (This statement is not unlike FDR's "Four Freedoms" speech, which called on government to guarantee "the freedom from want and the freedom from fear.") The program of the Nazi Party, adopted in 1920, set forth the state's responsibility to "provide citizens with adequate opportunity for employment and earning a living." This manifesto also called for a broad extension of social welfare legislation, government improvement of health, and the prohibition of child labor.

Both Hitler and Mussolini operated extensive public works programs. The fascists believed wholeheartedly in the Keynesian economic concept of government spending to promote prosperity. If there was insufficient private demand for labor, it was the duty of the state to create jobs. Hitler built the Autobahn and Mussolini drained the Pontine Marshes (a project that, interestingly, was later compared to Roosevelt's TVA). Both dictators built an impressive number of highways, schools, railroads, playgrounds, and various public buildings. Money was also lavished on home repairs, farm subsidies, adult education, and projects to improve health, reduce crime, and (in Germany) increase the birth rate. The National Socialists even subsidized workers' vacations and built a resort hotel on the Baltic.

The concept of compulsory social insurance (unemployment insurance and old age, survivors, and disability pensions) was incorporated into the German state under Bismarck. The Nazis greatly expanded these programs. With the Social Security Act of 1935, the principle of state-mandated cradle-to-grave security was firmly established in the United States also.

Like his fascist counterparts, Roosevelt believed it was the responsibility of the government to see to it that every able-bodied worker was employed. To this end, he undertook a public works program that would have made the pharoahs green with envy. Roads, bridges, courthouses, dams (the Hoover Dam and Tennessee Valley Authority)—there was hardly a project anywhere in the country that the New Deal wasn't willing to finance. The Civil Conservation Corps put young men to work on reforestation and similar programs. Between 1933 and 1934, the Civilian Works Administration put 4.25 million people to work on emergency projects—more than had served in the US armed forces during the First World War. The Works Progress Administration employed an

average of 2.1 million people each year from 1935 through 1941.

The housing industry, hit hard by the depression, also received its share of subsidies. While the Home Owners Loan Corporation refinanced about one-sixth of residential mortgages, the Federal Housing Administration started to insure mortgages for new construction and repairs. In 1937 the Federal Housing Authority began substantial construction of public housing.

Despite heavy taxation, most fascist beneficence was financed via the deficit. Before he became chancellor, Hitler denounced deficit spending—as did Roosevelt in his 1932 campaign. On assuming power, however, Hitler quickly overcame his adversity to red-ink budgets. From 1933 to 1936 the German national debt more than quadrupled, going from 11.7 billion to 55 billion marks. On the eve of World War II, Germany's debt stood at 107 billion marks. When Mussolini took office, the Italian national debt was 93 billion lire. By 1934 it had grown to 148.6 billion, and in 1943 the debt was 405.8 billion lire.

The American public also paid a rather exorbitant price for New Deal largess. In 1935 Roosevelt pushed through a major tax increase, raising the maximum rate from 63 percent to 79 percent. In 1936 taxes were raised again, on both individuals and businesses.

FDR was the American patriarch of deficit spending. While his deficits may seem paltry compared to today's $100-billion-plus red-ink budgets, by the standard of presidents who preceded him, Roosevelt was prodigious at spending money the government didn't have. In 1930 the national debt was about $16 billion. Between 1933 and 1942, FDR rolled up over $32 billion in budget deficits. By 1945 the deficit had topped the $200-billion mark. Like the Fuhrer and the Duce, the Squire of Hyde Park was a master of deficit spending.

MORE THAN COINCIDENCE

If the economic policies of Nazi Germany and fascist Italy seem surprisingly similar to the New Deal, there's a logical explanation. The political framework of welfare liberalism was constructed in the early 1930s by a group of men who espoused a collectivist ideology parallel to the fascists'.

It's unlikely that Roosevelt himself had any integrated philosophy of government. He did believe that "government has the definite duty to use all its powers and resources to meet new social problems with new social controls." Moreover, he had a Hudson Valley aristocrat's concern for the welfare of the masses. But FDR was first and foremost a politician—a demagogue rather than an ideologue. His priorities were power, popularity, and a place in the history books, not the advancement of a cause.

Roosevelt did, however, surround himself with advisors who were firmly committed to reshaping American society in the collectivist mold. They viewed the depression as a once-in-a-lifetime opportunity to implement their theories of economic planning.

There was Stuart Chase, who coined the term *New Deal* in his 1932 book of the same title and later held several important positions in the Roosevelt administration. Chase was a thoroughgoing statist who despised both private wealth and free enterprise.

In his book, *A New Deal*, which became a blueprint for the Roosevelt administration, Chase rhapsodized about the coming collectivism: "Best of all the new regime would have the clearest idea of what an economic system was for. The sixteen methods of becoming wealthy would be proscribed—*by firing squad if necessary*—ceasing to plague and disrupt the orderly process of production and distribution. . . . The whole vicious pecuniary complex will collapse as it has in Russia" (emphasis added). How like the Nazi call, in their 1920 platform, for "an end to the power of financial interests."

The fascist economy was usually described by observers of the period as "autarchy," meaning complete governmental sovereignty over all transactions and relationships. In an article published in September 1933 in *Scribner's Magazine*, Chase commented: "Autarchy . . . is distinctly thinkable and it is coming. . . . It must be planned and planned by the Federal government. . . . It can only be undertaken when governments take power and speculative profits away from businessmen and bankers. . . . New industries must be set up; old industries liquidated; . . . millions of potential unemployed steered to new jobs; colossal capital shrinkage adjusted in some fashion."

Chase was confident that the new day was dawning. "President Roosevelt has accepted the general philosophy of planning. Under his guidance we may move toward an inevitable autarchy."

No individual comes closer to epitomizing the New Deal worldview than Rexford Guy Tugwell. Tugwell, Adolph Berle, and Raymond Moley constituted the "Brain Trust," Roosevelt's inner circle of economic advisors. As assistant secretary of the Agriculture Department, Tugwell helped to shape New Deal farm policy.

A disciple of socialist Thorstein Veblen, Rex Tugwell was thoroughly indoctrinated in the latter's hatred of business owners. "From what I know of human nature," said Tugwell, "I believe the world awaits a great outpouring of energy as soon as we shall have removed the dead hand of competitive enterprise that stifles public impulses and finds use only for the less effective and less beneficial influences of Man. When industry is government and government is industry the dual conflict deep in our modern institutions will have abated." But this is precisely what was then occurring in Germany, where capital remained ostensibly in private hands but the state "became" industry, substituting its judgment for that of the marketplace.

Years later, Tugwell expounded on his ethics more fully: "People must give up thinking only of themselves—how they can increase their pleasures, how they can make certain of their income. . . . the rule of laissez-faire must be abandoned. Individuals following their own interests do not contribute to the good of the whole. The rule must read that every man, guided by the interest of the whole and contributing to it, will find his own well-being increased by the general product." Compare this with the popular Nazi slogan "Gemeinnutz vor Eigennutz" (the common good before self).

This was the intellectual impetus for the New Deal. Roosevelt's alphabet soup agencies were the concrete manifestation of these theories.

In industrial policy, agriculture, public works, welfare programs, and deficit spending, the New Deal, if not a mirror image of the fascist regimes, certainly followed their pattern quite closely. The same contempt for free enterprise, private wealth, and individualism motivated both New Dealers and the architects of German and Italian fascism.

Anne O'Hare McCormick, in the previously quoted *New York Times* article, made the following observation on the inauguration of the New Deal: "The atmosphere [in Washington] is strangely reminiscent of Rome in the first weeks after the march of the Blackshirts." Strange indeed. The welfare state, as it has developed over the past 50 years, is the fruition of New Deal economic planning. It is important for Americans to understand its origins. Fascism came to America in 1933 not with a goose step and a stiff-arm salute, but with a cigarette holder and a politician's famous smile. ◻

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STAR LAWS

It won't be long till people are living and working in space, but existing space law makes short shrift of human rights.

BY H. KEITH HENSON AND AREL LUCAS

With tears in his eyes, the commander of the US moon base spoke to the woman begging for asylum.

"Sonya, my personal sympathies are with you. But I have my authorities above me. I have to do what is required. You will have to return to your base."

"Please!" pleaded Sonya. "They will kill me. I will not go back."

The commander reluctantly left his office and admitted the Russians. Dr. Gale Roberts, one of the civilian scientists at the base, later recounted the incident to the press.

"We could hear the woman's cries for help. She was on her knees, praying and crying, 'Oh God help me.' The Russians came in. Sometimes I couldn't see her, but I could hear her screaming. Then she ran to the upper deck. Her face was all bloody.

"She hid for a while, but three more Russians were let in. They found her, beat her unconscious. Then they

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tied her in a blanket and carried her out the airlock.

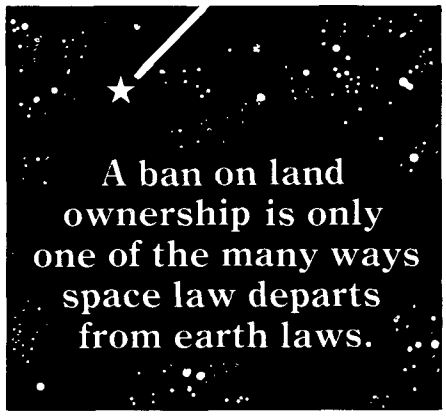
"We're not even sure they put a suit on her in the airlock," said Dr. Roberts. "Nobody was permitted to look."

* * *

Hypothetical overstatement? Not at all. Change *Sonya* to *Simas*, and *moon base* to Coast Guard Cutter *Vigilant*, and you have an incident that occurred in November 1970. The US ship and a Russian ship had met off Gays Head near Boston to discuss inspection procedures called for by a recently signed fishing treaty. Simas Kirdurka, a Lithuanian radio operator, who in 21 years in the Russian merchant marine had never been allowed ashore at a foreign port, saw his chance and jumped to the Coast Guard ship.

State Department bureaucrats who didn't want to take chances with "delicate negotiations," and Coast Guard officials on shore who disliked one of "their" ships being used for a defection, gave orders that Simas be returned to his ship. A considerable amount of violence on the US ship was required to accomplish the task. It was some time before it was known whether Simas was alive or dead. (See *Time* or *Newsweek*, Dec. 14, 1970, if you want more details.)

The story leaked to the press over a period of weeks. President Nixon was furious when he heard about it, fuming that the image of the country as a haven for defectors would be ruined. The ensuing uproar forced the two shore-based Coast Guard officials involved to resign in disgrace and left a black mark on the record of the captain of the *Vigilant* for allowing the violent abduction to take place on his ship. Besides broken bones and kidney damage from his beatings, Simas was convicted of treason and sent to a Siberian prison camp. The news services pointed out that, in giving him back, the US government had violated not only its tradition of giving sanctuary but also Article 33 of the Geneva Convention, which states: "No contracting state shall expel or return a refugee in any manner whatsoever . . . where his life or freedom would be threatened."



There are no treaties requiring the return of defectors on the high seas. Three years before the incident on the *Vigilant*, however, the US government signed the first of several treaties that some will interpret as *requiring* the return of defectors who try it in space.

Should anyone care? You should if you would like to live out there someday. Being able to leave your country and be taken in by another is one of the strongest checks on governments against abuse of civil rights. Even countries with very good records, like the United States and Sweden, have driven people to leave. Examples are the Hutterites who were imprisoned for refusing to fight in World War I (most of them afterwards left the States for Canada) and Ingmar Bergman, who chose to leave Sweden a few years ago because he was being taxed at more than 100 percent of his income.

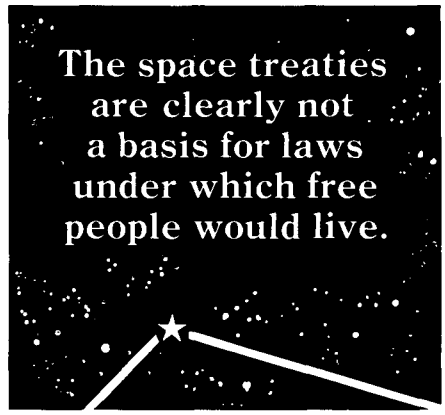
The people who make up governments, whether or not the society is a "free" one, don't like the idea of those whom they control being able to escape. Space dwellers are going to have a rough time with civil rights if they are subject to repressive agreements between faraway governments to keep them under control. The Soviet Union is especially concerned about this, and so far, the Western governments have gone along with them in a series of "agreements."

The treaty provisions that concern us are: Article VIII of the 1967 Space Treaty, which reads, "A State . . . shall retain jurisdiction and control over such object [spacecraft] and over any personnel thereof"; Article IV of the Rescue Agreement, which enjoins signers to return personnel, willing or not, to the launching authority; and Article XII of the Moon Treaty (not signed by the US government), which declares, "States . . . shall retain jurisdiction and control over their personnel."

These space treaty provisions stand in stark contrast to a truly landmark document, the United Nations Declaration of Human Rights (1948). In Article 14, Section 1, it states, "Everyone has the right to seek and enjoy in other countries asylum from persecution." Article 15, Section 2, declares, "No one shall be . . . denied the right to change his nationality."

If someone were to ask for asylum in space or on the moon, the president might ignore or rule inapplicable these fairly clear treaty provisions—provided, of course, the president found out in time. Obviously, this cannot be counted on. It was more than a week before the president found out about the Simas Kirdurka incident, and then only through the newspapers. The president is the only authority who could decide something as drastic as suspending a treaty provision.

Even then, what would happen if SALT XXXIV were in a critical stage? Bureaucratic functionaries threw Simas to the wolves in the absence of a "return of sailors on the high seas" treaty. They also got badly burned in the incident.



The future bureaucrats faced with a Kirdurka incident in space will have an easier time handing back an asylum seeker. Customary legal practice is that if two laws (and treaties are laws) are in conflict, the more recent law shall be enforced. If the Moon Treaty were signed by the US government, there would be *three* UN space treaties applicable to a Kirdurka-type incident, all postdating the Declaration of Human Rights (which was only a General Assembly resolution and considered by some to be nonbinding anyway.)

This isn't the only loophole for the violation of human rights to be found in space treaties. Nothing so characterizes the lack of human rights in a totalitarian police state as the midnight knock on the door by storm troopers who do not need to justify a search and obtain a warrant from a judge. Fresh memories of Nazi Germany may have inspired Article 12 of the Declaration of Human Rights: "No one shall be subjected to arbitrary interference with his privacy, family, home . . . . Everyone has the right to protection of the law against such interference." Contrast this with the Moon Treaty, Article XV: "all . . . installations on the Moon shall be open to other States." Article XV does require advance notice of the "visit" and "consultations" for safety, but, if you don't like strangers poking around your home, you're out of luck, because under these treaties, there will be *no* "protection of the law" out there to defend you.

How did these UN-sanctioned human

rights wind up being given such short shrift over the last 20 years of space law negotiations? Perhaps the most important factor is the change in the UN voting balance due to the increased membership of small, non-Western states in the United Nations. The General Assembly is a quite different organization today from that of 1948. According to Prof. John P. Humphrey, an expert in international protection of human rights, the new majority is less interested in the traditional civil and political rights than in questions of national self-determination and economic equality between states.

The new members' emphasis on inter-country economic equality is clearly expressed in Article XI of the Moon Treaty. A key phrase there is *common heritage*, a concept given meaning by many years of debate in the context of the Law of the Seas (LOS) negotiations. Most countries in the world consider "common heritage" to be equivalent to "common property," not to be touched (economically developed) without everyone's permission.

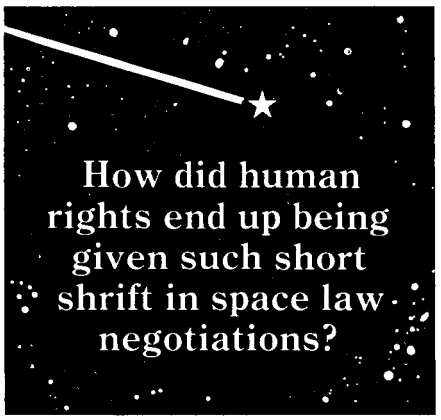
Implementing this idea for seabed mining leads to an "international regime" with unlimited power to administer the "common property." In the final LOS Treaty draft, the "Seabed Authority" is given the power to authorize and limit extraction from the seabed, to tax profits and production without limits, to force the transfer of mining technology to itself, and finally to shut down all other entities mining the seabed.

Under these conditions, it is no wonder that most of the interest in seabed mining has vanished. Extending, or even threatening to extend such confiscatory terms to the moon and asteroids would be a disaster to the human race. Without that most reliable of human drives (self-interest), the space resources of low-cost energy and materials needed to avert stark poverty for most of the human race seem unlikely to be developed. A "common heritage" we would have indeed: common poverty for all. US space treaty negotiators went to great effort to disclaim the "common property" definition of "common heritage," but if the LOS negotiations are any indication, the views of the majority will eventually be accepted.

One casualty of the "common property" concept is private ownership of real property. Not having any place to call one's own is psychologically degrading to humans, who are basically territorial creatures. The authors of the Declaration of Human Rights recognized this in Article 17, Section 1, which reads, "Everyone has the right to own property alone as well as in association with others."

This ban on land ownership is only one of many ways space law departs from earth laws. Though it drew some of its concepts from sea law, airspace law, and Antarctic treaties, space law, as we now have it, was developed only to serve the needs of states. The result could have been anticipated: unprecedented expansion of the powers of states at the expense of people and those legal persons known as corporations.

One example: if an airliner crashes outside of its country of ownership, the company that owns the airliner is liable for specific, and limited, damages under international law (the Warsaw Convention). However, if a satellite owned by a communications company crashes, the *launching state* bears unlimited liability. This provision is used by governments of otherwise free-enterprise countries to justify tight control over companies doing business in space. An example is Comsat, chartered by the US government and required to have government-appointed members on its board of directors.



Human rights in space probably took such a beating simply because nobody was watching. "The price of liberty is eternal vigilance" is as true today as it was when Wendell Phillips put it in an antislavery speech before the Civil War. No opposition to the provisions of the space treaties with their potential for abuses of human rights surfaced until those who are looking forward to living out there started looking into the consequences. In spite of their working for NASA, the negotiators do not seem to think people will *ever* make their homes out there. Missions by rigidly controlled military personnel? Yes. Settlements by ordinary people? Officially precluded by the 1978 US Civil Space Policy.

Setting up repressive conditions for future space settlers thus becomes unimportant in comparison to more immediate benefits to our government such as obtaining resources from despotic countries and securing markets for our products. Believe it or not, this argument was actually made in public as a reason to support the Moon Treaty. One thing is clear, however: these "agreements between states" cannot stand up to scrutiny by concerned free citizens. The future rights of space-dwelling humankind are being thrown away to appease countries where human rights are a tragically bad joke.

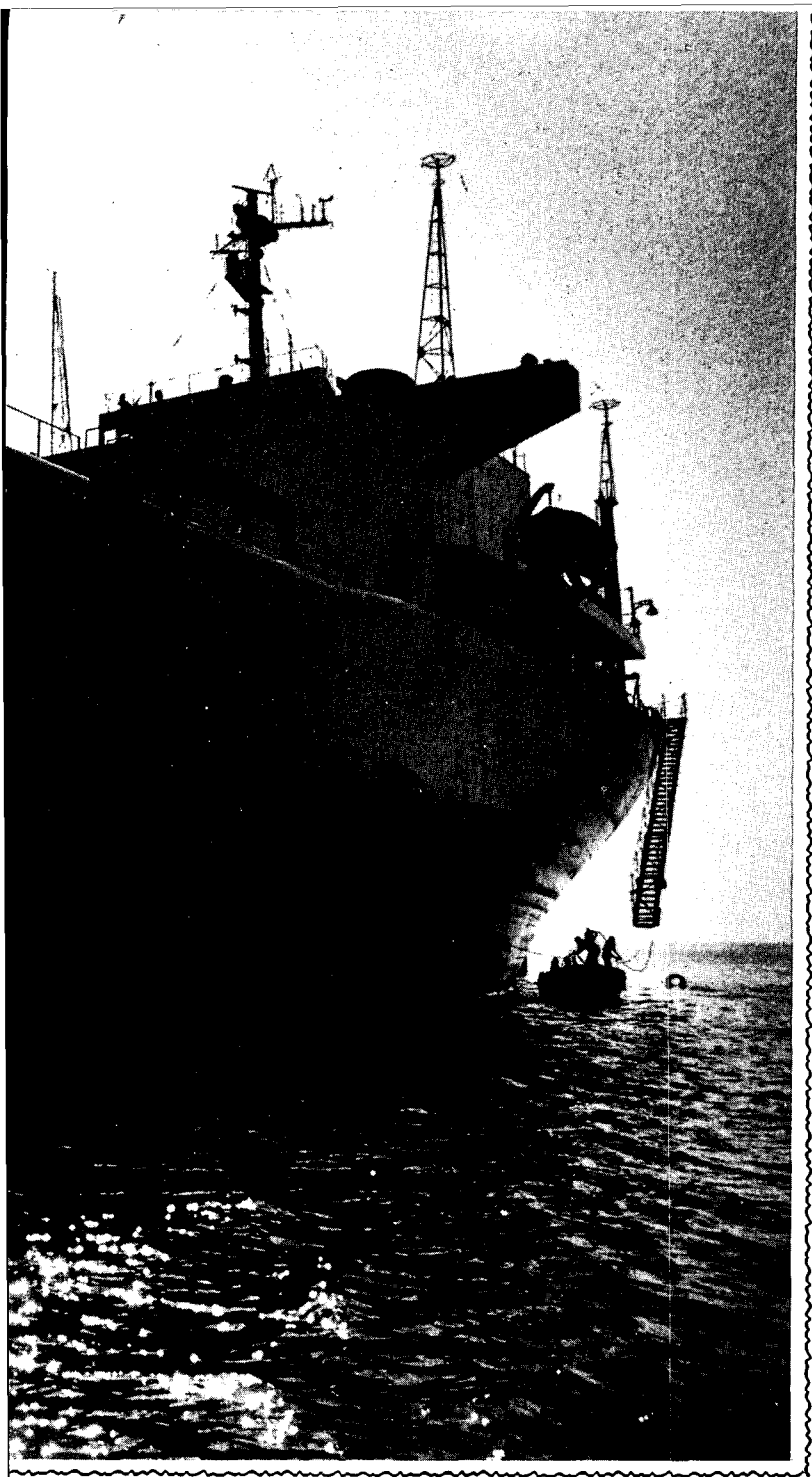
Simas Kirdurka's story, thanks to the efforts of many people, had a happy ending. The Lithuanian community in the United States began to lobby for his release the day after he was handed back to the Russians. Someone discovered that his mother had been born in Brooklyn. They even found her baptismal certificate at St. Mary of the Angels Catholic Church in Brooklyn. Yes, all along Simas was legally an American citizen. After months of delay, in July of 1974, Congress officially confirmed Kirdurka's US citizenship. Six weeks later, in response to belated pressure on the Soviets by the State Department, he and his family boarded a plane to New York.

And what happened to Sonya? We hope they put a space suit on her in the airlock. But wouldn't it be better not to have to depend on the good will of distant authorities? There is no excuse for human rights to be compromised as they have been in the space treaties to date. While the treaties may have been negotiated with the best of intentions to regulate the activities of states out there, they are clearly not a basis for laws under which free people could live.

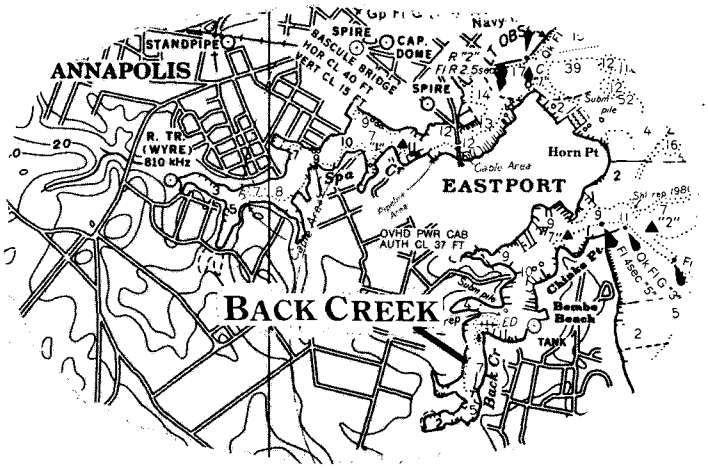
The latest of these "agreements," the Moon Treaty, was accepted by the US negotiators at the United Nations in the summer of 1979. Several groups, most of the science fiction magazines, and many concerned individuals objected strenuously. As a result, the treaty was not signed by then President Carter nor submitted to the Senate for ratification. If pushed, the Reagan administration might formally reject the Moon Treaty as it finally did with the Law of the Sea Treaty. They might even withdraw the US from the earlier space treaties or negotiate strong human-rights and free-enterprise additions to them.

There may never be a better time to try. The rights you save may be your own. ◻

Keith Henson was a founder and the first president of the L-5 Society, an organization formed to foster space development. He is currently working as a systems analyst. Arel Lucas is the former editor of L-5 News *and one of the founders of a computer firm for which she is now working.*



THE BATTLE OF BACK CREEK



The big guys wanted a piece of the water taxi business . . . but they wouldn't fight fair.

BY I. DEAN AHMAD

DRAMATIS PERSONAE

Al Bembe Tim Peregoy Barry German Gerald Donovan Cheryl Phipps	*water taxi operators petitioning to stay in operation*	John Fewer William Lakowski	*water taxi customers*
		Rodney Ord Owen Siler	*water taxi newcomers*

Experts, attorneys, and bureaucrats

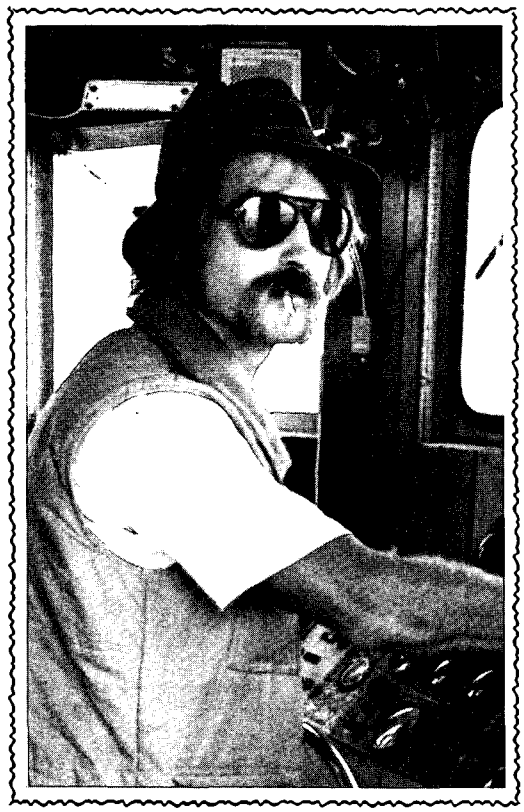
It is a story of how two new companies get into the water taxi service in the Annapolis area. One of them acquires a monopoly on the use of the Annapolis city docks—then they both try to have oldtimers on Back Creek either shut down or forced to set their prices in harmony with the newcomers'. It is the never-ending story of the use of government by some business owners against others.

The backdrop is the Chesapeake waterfront. Picture the launches cutting through the choppy waters, and hear the wail of boat whistles. There is no need to imagine the gliding white gulls or the fawn-colored ducks, for this story is about waterfront *people*. It is a courtroom drama without a courtroom—only a hearing room in a Maryland state bureau. There is no sentence in which someone's life is at stake, for there is no sentence—only a Public Service Commission ruling that determines whether some dozen men and women may continue their livelihoods.

Driving east across the sweeping Bay Bridge from Annapolis, one can see, on the right, many ships at anchor. This is the Annapolis anchorage. When crew members seek a liberty, or

Photographs by Bob Grieser

Captains of vessels anchored near Annapolis complain about having to use their lifeboats to carry in provisions (left) when water taxis are unavailable. Al Bembe (above) operated the only water taxi service in Annapolis until competitors like Tim Peregoy (below) stepped in to help meet the growing demand.



when customs officials or ship's agents need to get on board the offshore freighters, they turn to the waterfront's launch operators who make their living providing the water taxi service that ferries people across the harbor to and from the anchored ships.

For a decade, Captain Al Bembe had that field to himself. "My grandparents were watermen," says Bembe, a 67-year-old gentleman with a proper captain's visage and nautical beard. "My father and my two uncles were watermen. My brother and I are watermen, and my two sons are watermen. The whole family has done nothing but make a living on the water—oystering, crabbing, fishing. And running the launch service."

The Annapolis anchorage that Bembe services runs for several miles from near Thomas Point up to the Bay Bridge that Bembe helped build. He operated one of the boats that carried engineers, inspectors, and surveyors to and from the construction many years ago. "After that, I went strictly into the launch service business," he says. "It's set up as a family affair. My wife answers the telephone and radio as a dispatcher at home. My sons and myself, we operate the boat. She relays any and all messages back and forth for us. We're on call 24 hours a day, seven days a week."

There wasn't much business in the early days. Then the energy crisis spawned a coal boom, and suddenly the water taxi service began to attract newcomers, but Bembe never objected to the competition. In fact, he actually prefers to let others handle the crew liberties: taking oftentimes drunken sailors back to their ships isn't his favorite part of the maritime trade, anyway. But Al Bembe was still the grandfather of them all. He had the skill, the experience, and the reputation.

After a while, as the number of competitors swelled, so did Bembe's workload. From 1973 to 1978, when the Bembe family had a virtual monopoly, they made an average of 20 trips per month. But between 1978 and 1980, the average rose to 30-35 trips per month.

Tim Peregoy was the Bembes' first competitor, and he ran his business similarly to theirs. A native of Baltimore, he had gone down to the Gulf of Mexico to work on the oil rigs, getting the maritime experience he now employs as a launch operator. He towed oil rigs, dropped off passengers to them, and handled freight for them.

Peregoy found things slow in Chesapeake Bay when he first started. Some customers preferred to stay with the more-experienced Bembe family, but Bembe would refer overflow business to Peregoy, especially the crew liberties he would rather avoid. Peregoy, too, has now begun to acquire a solid reputation, and since the end of the coal strike his business has been picking up. He has two launches and estimates current traffic at six trips daily. Like Bembe, he makes himself available 24 hours a day, seven days a week. Asked if he ever takes a vacation, he replied, "I went skiing two days."

In October of 1980, Gerald Donovan started a third launch service. Owner of a large marina in the bay, Donovan saw himself as a small business entrepreneur, and he left the management of his launch operation completely in the hands of his pilot, Cheryl Phipps. "The captain of our vessel in Annapolis is a lady, and she is a young lady," said Donovan. "She never had a minute's problem from 6:00 in the morning until 2:00 or 3:00 in the morning" handling the crew liberties that his service specialized in.

Captain Phipps, a believer in taking proper precautions, noted that she would occasionally double her crew. "When I know I'm going to have more than one nationality on the boat at a time, late at night—say, 2:00 in the morning—I feel sometimes it is best to carry a crew of two," she explained.

Donovan observed that, despite the boom, which he expected to continue, the business is a cyclical one. "Obviously, there are different agencies, and different people are investing millions of dollars in upgrading facilities to facilitate coal. I believe it is here, but there are going to be fluctuations. We're going to have good months and slow months, and we're going to have ice and bad weather."

Last year, Barry German joined the field with the fourth water taxi service in the area. He started his operation on the Back Creek, within a stone's throw of the Bembe and Peregoy operations. His background is like theirs.

"I've lived on the water, I guess, 30 years," he recalls. "I bought my first boat when I was 12 years old. I have owned a boat ever since. I've worked as a sailing instructor in Annapolis and the various yacht clubs. After college, I worked for two years as a professional yacht captain running boats up and down the East Coast and over to the islands. I sailed in the America's Cup and crossed the Atlantic in a 35-foot sail boat."

Then, after German, came two more entrants to this field. Rodney Ord, owner of International Marine Transport Service, had relatively little maritime experience when he decided to get into the action. He had been an ad-

ministrator for the IIT Research Institute, a position with no connection to the maritime industry. On the other hand, Owen Siler, who headed the Annapolis Bay Launch Co. (sometimes called Ann-Bay), did have nautical background as a former commandant of the Coast Guard. Ord and Siler's companies shared dispatcher service and communications. More important, the two newcomers also shared an interest in acquiring from the city government a monopoly on water taxi use of the Annapolis city docks.

It was in the process of preparing to place bids for the exclusive use of the pier (Siler eventually won it) that they discovered that water taxi operators needed approval from the Maryland Public Service Commission.

Bembe and their other predecessors had been quite unaware of this. The earlier businesses had sprung up spontaneously in response to demand for service by the maritime community, and they did not know that the PSC claimed the right to license their operations. But they soon found out. Once the would-be monopolists Ord and Siler had obtained PSC authorization to operate, they protested to the commission that the old-timers were operating without official approval.

The response of the established operators was to seek belated licensing from the PSC, but Ord and Siler proceeded to challenge their applications on a number of grounds. For example, Siler was quoted in the *Washington Star* as saying, "The economic need at this time is not there" for so many launch operations. Yet *Star* reporter Tom Kenworthy in the same article quoted the original PSC application of Siler's own company as claiming, "There is adequate demand for service that several launch services can compete...[and] such competition would be in the public interest."

On the first day of PSC hearings on the Back Creek operators' applications, Evans North, the attorney for Siler's Ann-Bay and Ord's International Marine, insisted that his clients "do not take any firm position objectively opposing any operator" for not meeting the public-interest test. Yet he reminded the commission that "under the law, it is required of each applicant to show this commission that there is a need for this additional service." Over the two days of the hearings, little doubt was left on just what that need was.

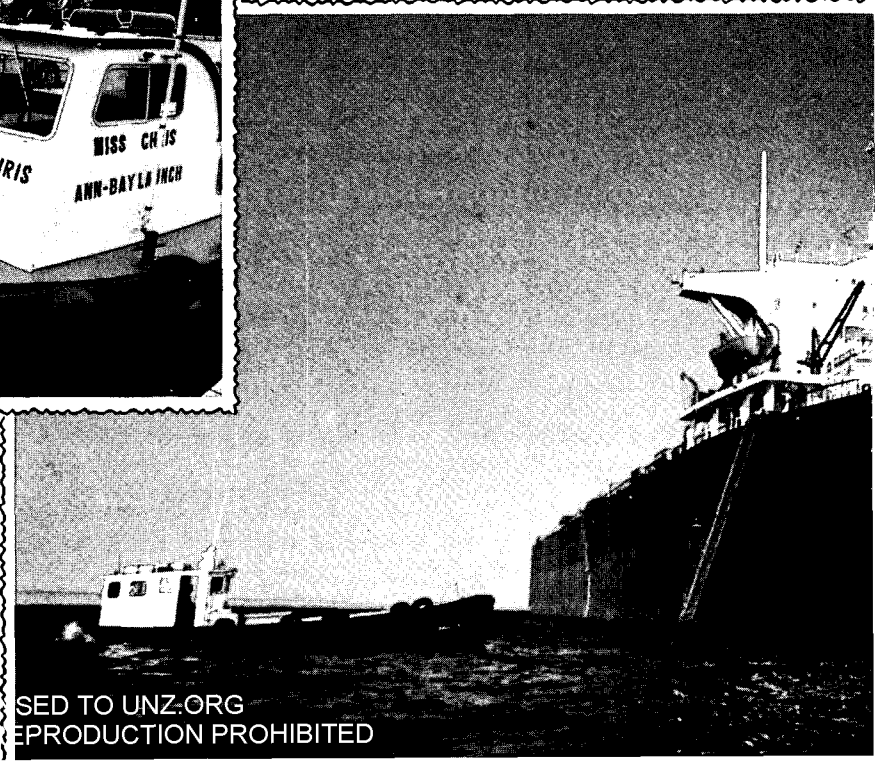
John Fewer has a unique perspective on the water taxi service in the Chesapeake Bay. As vice-president of a Baltimore launch service and general manager of the Baltimore office of Norton-Lilly, a large steamship agency, he understands the business as both supplier and customer. Steamship agencies like Norton-Lilly are hired by vessel owners, especially foreign ones, to handle problems of dealing with unfamiliar ports. The agencies in turn hire launch operators to carry customs agents, transfer documents and currency, carry ships' chandlers (merchants of store items responsible for food, spare parts, and other such items the captain and crew might require), and sometimes carry the owners of the ship.

Despite the fact that Norton-Lilly had set up its own launch operation, Fewer was as eager as Bembe and the other three applicants to see the market for water taxi service unrestricted. Fewer explained the urgent need that ships' agents have for an abundant supply of launch operators: "Many of those ships arrive either prior to their cargo being ready or prior to their berth being ready, because there are other ships in the berths and only so many berths available.

"They also might arrive ahead of time to do repairs prior to loading. Since the berths cost money, it is cheaper for an owner of a vessel or a charterer of a vessel to anchor the ship in an area away from these more expensive berths."

Vessels must be boarded by customs officials within certain time periods after their arrival, and sometimes there are medical emergencies. When ships are leased, they must be tendered to the lessee promptly, or enormous demurrage charges are incurred—up to $15,000 per day. None of the launch customers want to be at the mercy of a monopoly under these conditions. "At Norton-Lilly, I cannot wait for anybody," Fewer explains. "I have to represent my principal, and if A Launch Service is busy, I will then call Launch Service B. Whoever is available quickest to meet my needs is the one I'm going to use."

The PSC was presented with letters from launch service customers praising the applicants and declaring the need for additional service. Some customers even appeared in person to testify. Moreover, when Ord of International Marine finally



Above: Two of the Annapolis Bay Launch Co.'s boats, docked at Back Creek. Right: Tim Peregoy's Sally G. *nears a ship for delivery and pick-up.*

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testified, he also conceded the need for additional services, prompting Fewer's attorney, Geoffrey Tobias, to exclaim, "It almost seems as though, had we heard that yesterday morning, we wouldn't have had to spend these two stuffy days here."

Not quite. Ann-Bay and International Marine also insisted that all the operators' prices should be set by the PSC. Donovan and other Back Creek operators suggested that the real reason Ord and Siler were so intent on price fixing is that their launches, designed to service offshore rigs, were inappropriate for the water taxi service and simply couldn't compete in an unrestricted market. Peregoy noted that his own launch, designed for water taxi service, "burns approximately five or six gallons an hour." International Marine's *Sinbad*, by Ord's own account, burns 18 to 20 gallons per hour.

The customers, who had enjoyed the freedom to negotiate rates with the operators, were displeased at the prospect of having to pay fixed prices. Richard Foster, the operating manager for one steamship agency, made no effort to hide his outrage. "The only thing I hate to see—I think I very openly told Rod Ord that I would hate to see—that everybody is regulated to charge the same fee, because quite obviously, the Bembe operation, being a ma-and-pa operation, can be run a lot cheaper than Rod Ord's operation when he has all outside personnel, even though it is he and his wife who are involved in it."

William Lakowski of another steamship agency also believes the unrestricted market works to the customer's advantage. He cited the example of the taxi service run by Cheryl Phipps. "Cheryl's rate structure suits us fine, where it is so much a person," he said. "When they first started out, it was kind of high, but it was dropped down to accommodate."

The customers feared that fixed rates would be set high by the PSC to protect International Marine's large capital investment. Ord, on the other hand, maintained that if rates were set by the PSC, it would protect the customers. "If the Public Service Commission determines that my rate is too high or unjust," Ord said, "that is my problem." Ord also insisted his motivations were altruistic. "I am trying to give the agent a fair shake on knowing the dollars and cents that he has to expend for my services," he claimed.

Geoffrey Tobias, the attorney for Norton-Lilly, didn't see it that way. "I think it is patently obvious, at least to [us] and some others, that Ann-Bay and International are Johnny-come-latelies in this business and decided to jump in on what appeared to be a good thing," he said. "They found that they couldn't cut it and came and attempted to use the good offices of this commission to present them with a virtually exclusive franchise."

Donovan, who owned Annapolis's third water taxi service, put it more bluntly. "I actually think that the reason we are here [before the commission] is that somebody didn't think that they were getting their slice of the pie. And they figured through the PSC regulating, looking at their expenses versus, say, my expenses, their share of the pie was going to be increased.

"I'm not Shell Oil or Exxon," Donovan continued. "The government quit telling *them* what to charge. I'm a little businessman. I don't think the state of Maryland has any business whatsoever telling me what to charge to run my business. This whole situation, frankly, is disgusting."

The attorney for waterman Barry German noted that, as far as could be determined, Maryland would be the first state to regulate launches, and concluded, "It seems ludicrous that the state really is regulating this almost family business, at least the ones in Annapolis are. The Back Creek Crowd, we call them."

An excerpt from an exchange during the hearings between Ord and Fred Frank, the attorney for Back Creek operator Tim Peregoy, is telling.

FRANK: I don't think the Ord operation is one that is run in the manner that is equal to the people who were in business before he was....I think his operating costs are too high.

ORD: That is my problem, Mr. Frank.

FRANK: He keeps saying it is his problem, but it has brought us all down to Baltimore yesterday and today.

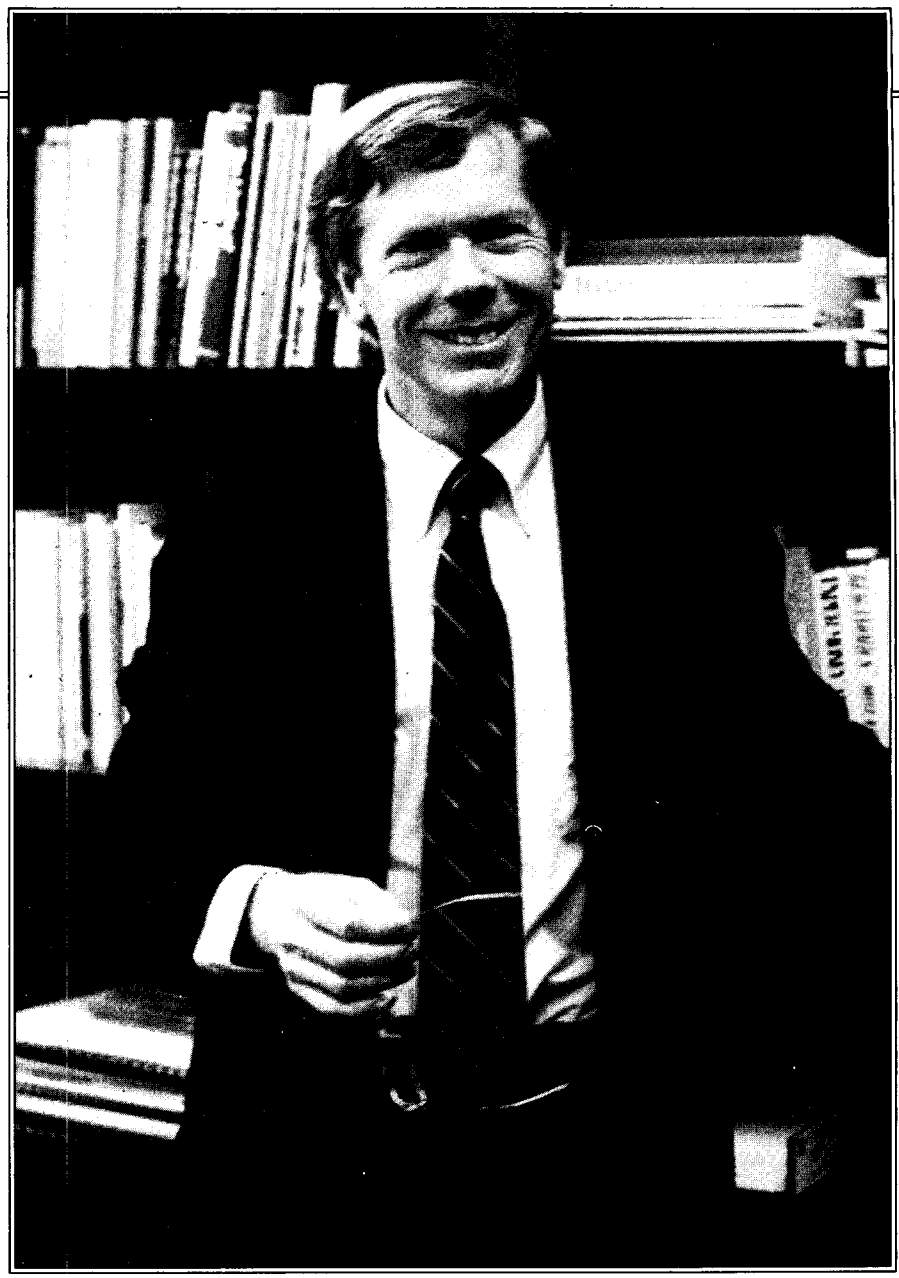
That wasn't the end of the "problem," either. Ord and Siler were not only appealing to the PSC to establish compulsory price fixing. They also insisted that the Coast Guard restrictions that applied to their large boats be imposed on the smaller craft that some of the applicants use. The applicants in turn protested that they met and, in most cases, far exceeded the Coast Guard requirements for their respective launches. George Meese, a naval architect, testified to the sufficiency of the existing Coast Guard regulations on small craft and to the inapplicability of regulations for large craft to launches carrying six or less passengers. And so it went.

The whole sordid case actually has a mostly happy ending. On October 25, 1981, the Maryland Public Service Commission ruled in favor of granting licenses to the Back Creek applicants and against the Ann-Bay and International Marine requests for government fixing of prices. The PSC also ruled that the Coast Guard safety regulations for small vessels, which the applicants were already observing, were sufficient. Best of all, the governor of Maryland signed a bill in May that exempts all launch services from any PSC regulation, and the Annapolis city government has abolished its monopoly franchise on the city pier. (Now, all water taxi services who want to use it can do so.)

Unfortunately, the Back Creek Crowd did not escape the PSC trauma completely unscathed. They lost valuable time from their businesses (equal to all of Tim Peregoy's vacation time), and they have had to come up with thousands of dollars in attorneys' fees. Their business was also severely hurt by a coal strike, and Donovan's water taxi service subsequently went under.

Even if Donovan was ultimately not able to keep afloat, he was faithful to the idea of sinking or swimming in a free market. The same could not be said of Siler: even though he enjoyed the monopoly on the Annapolis pier, his Ann-Bay operation has capsized. It was perhaps a fitting epilogue to a little drama illustrating an old story about the perpetrators and beneficiaries of government regulation. ◻

Dean Ahmad is president of a research consulting firm in Bethesda, Maryland. His articles have been published in Inquiry *and other periodicals.*



Paul Craig Roberts is one of the key architects of supply-side economics. An economics professor at various universities, his early economic writings took note of the stultifying effects of high tax rates on incentives. Bruce Bartlett, in his supply-side chronicle, Reaganomics, *notes that Roberts anticipated the "Laffer Curve" as early as 1971 in his book* Alienation and the Soviet Economy.

In 1975 Roberts went to work as Rep. Jack Kemp's staff economist. Along with economist Norman Ture, he began a campaign to convince Treasury officials that the static view of tax-rate cuts is incorrect—that lower tax rates will stimulate economic activity and thus increase tax revenues.

In 1976 Roberts became minority staff economist for the House Budget Committee, where he proposed a permanent cut in tax rates as an alternative to Jimmy Carter's one-shot $50 rebate. It was the seed that led to the Kemp-Roth bill in 1977. Roberts had by then joined the staff of Sen. Orrin Hatch, where he played a key role in discrediting the Keynesian econometric models used by the Congressional Budget Office.

Roberts then became an editorial page writer for the Wall Street Journal *and helped to solidify that paper's support for supply-side concepts. In 1980 he took a position at Georgetown University's Center for Strategic and International Studies but was soon tapped by Ronald Reagan to become assistant treasury secretary for economic policy. He returned to Georgetown earlier this year as the first holder of the William E. Simon chair for political economy.*

Roberts is no stranger to REASON*'s pages. His first of several articles over the years appeared in 1973. Thus, it was as an old friend of* REASON*'s that senior editor Tibor Machan, accompanied by Washington-based contributing editor Joe Cobb, approached Roberts this spring for an interview.*

REASON INTERVIEW

Paul Craig Roberts

REASON: The first question we have for you is a question that many people have asked you. Why did you resign from the administration?

ROBERTS: I was offered the William E. Simon chair in political economy, and it's a hard thing to turn down. It lets me carry on my three careers in one job. I can be academic, I can pursue my interest in public policy, and I can carry on with journalism.

Photographs by Jody Croley

REASON: But this seems to be a bit of an odd move for the following reason: if there has ever been an administration in which some of your ideals might have had a chance to flourish, why did it nevertheless seem to you so attractive to come back to the more theoretical domain as opposed to stressing the practical implementation of those ideals?

ROBERTS: Well, the center is public-policy-oriented. This is not a single-purpose, or only an ivory tower, academic environment. Most of the people here are academically qualified, but most of them have also held many positions in government, so you're not out of the policy process here. In fact, I'm still very much in the policy process. I just have a freedom to speak that you can't have as part of an administration.

REASON: Just to press it a little bit further, it has seemed to some of us who are in what you might call the libertarian wing of the political ethos, rather sad that Marty Anderson and you both "abandoned ship." It was our only hope that some of these ideals could at least be well articulated by intelligent people who have a basis for what they're saying as opposed to people who are pragmatists.

ROBERTS: I know what you mean. I would have to point out, though, that I did succeed in contributing to getting the tax cuts passed. I see that as a tremendous achievement for a year's time, capping a five- or six-year effort that I had been part of previous to the Reagan administration. So, when you look at the situation, it's definitely improved. But I think you should also not be surprised that people who are basically libertarians, like myself and Marty, don't expect all that much out of public policy. I think that's one of our messages, isn't it?—that you can't expect much from public policy, so that libertarians have got to be invariably frustrated if they try to stay in government for any long time and bring one great change after another. We got the great change, and now it's up to the president to hold on to it—and there, I think I'm a better advocate for him outside the administration.

REASON: Is his intention a sound intention thus far?

ROBERTS: Yes. The president's intention is sound. He has not had enough help from his administration or, recently, from his party.

REASON: Why is it that we aren't seeing the expected results from the dramatic changes in taxes and then budget policy made by Congress in 1981?

ROBERTS: That's no mystery at all. The changes are in principle, not practice. What taxes are lower? Congress did not cut taxes *then*; they cut them for a future period. The first significant cut in the personal income tax was pushed off to July of '82, and the rest of them are all for July of next year. So the tax program, on personal tax cuts, was shifted to the latter half of the Reagan administration. Some of the business tax cuts were made retroactive to January 1981, but they weren't passed until way in July or early August of that year. And no sooner were they passed than all kinds of doubts were raised about them by administration figures themselves. Senator Dole announced that, as far as he was concerned, the leasing provision of the business tax cut was finished. Anybody who entered into a leasing agreement was doing so at his own risk, because they intended to repeal that. You had, under the push of David Stockman, a minimum corporate tax submitted to Congress on the heels of the tax cuts. The minimum corporate tax is widely perceived—I think correctly—as an assault on the accelerated capital cost recovery provision of the business tax cut.

So if you are a decisionmaker in the economy and are looking at the tax law, you don't know what it *is*. You just face massive uncertainty. You would not act on the basis of a law on the books that you see under assault before there's been time for the ink to dry. On the personal cuts, when you enact today a tax reduction that will take place in the future, you achieve the opposite of your goal, at least for the interim. Because what you do is, you tell everybody that their tax deductions are worth more now and to shift them all to the present, because the rates are higher, and that income will be worth more in the future, so shift it all to the future. That tends to cause income to drop and tends to cause tax collections to drop in the interim and on the whole produces worsening economic performance as people respond to the incentives of the delayed tax cuts. So you have to understand that, although in principle the policy's changed, in practice it really hasn't. Now we will reach these tax cuts in the future if they are not in the meantime further delayed, pushed off, or repealed.

REASON: What is the political prospect of their being tampered with again?

ROBERTS: I don't think they will be tampered with this year because it is an election year and there's a recession. It's very difficult to raise taxes in that kind of environment, even from a Keynesian perspective. What is happening does have some risk, because what we have is the resurrection of what was known as the British "treasury view." The treasury view, which was the focus of John Maynard Keynes's attack on economic policy, said that deficits drive the economy down because they impair confidence. And this led to a policy focus of trying to balance the budget in recession. According to Keynes, that produces a depression, because, by his account of a recession, demand is falling and cash flow is tightening; so if you take actions—for example, raising taxes—designed to recover the revenues you lose to recession, then you cause further reduction in demand and further restrictions on cash flow. You worsen the economy and, in the process, frustrate your effort to bring the budget into balance.

Well, the "treasury view" somehow has come back recently in Washington. It's elbowed aside the Keynesians, monetarists, and the few supply-siders and has the focus of everyone's attention. Congress and administration officials are speaking as if the whole goal of policy is to balance the budget. Now the original goal of Reagan's policy *was* to balance the budget—but through a process of economic growth, one that would improve incentives, improve the performance of the economy, and thereby bring the budget into balance by shifting the economy to a higher growth path. That seems to have fallen away, and people are focusing on deficits that are large, primarily because of the recession—recession always produces large deficits. And we do face some risk, if this old British treasury view of the '30s actually becomes policy, of further deflating a faltering economy. In that case it is not clear what would result.

REASON: You had some disputes with David Stockman. What did you find problematic about his stances?

ROBERTS: Well, let me address what went wrong with the Reagan program. Beginning really in December of 1980, the idea was to get on to this new policy of growth. But very early there was a move away from that, toward a policy of balancing the budget *not* through economic growth but through higher tax collections. That's the reason the tax cuts were first delayed from January of '81, '82, '83 to July of '81, '82, '83, and then the first installment delayed to October and cut in half. That was all in order to keep tax collections high, based on

keeping the old rates as long as possible in order to balance the budget in 1984. Well, that obviously is already a subversion of the policy, because what it's saying is that high tax rates are better for the economy than lower ones, so let's keep them higher as long as we can.

REASON: You don't think that the motivation was political? Was it their conviction that this was necessary, or was it their belief that, if they didn't make these concessions of delay, however wrongheaded, they couldn't get anything whatsoever?

ROBERTS: It's hard to ever know that. But I doubt that the president couldn't have gotten his program, and I think that the reason he went along with the delay was that it was presented to him as a compromise that would let him achieve all the goals and also give him less trouble with Congress. But it didn't allow him to achieve the goals. Part of the trouble was a very tight monetary policy between April and October of last year, which is very deflationary, particularly after having very high money growth. In fact, in October of last year there was less money in the economy than there had been the previous April. Now that is a very contractionary policy. If you combine that with delayed tax cuts, you are almost assured of a recession. And if you get a recession, you are almost assured of large budget deficits. That's exactly what I said would happen. It's what's happened, and now the same people want to respond to the larger budget deficits by further delaying and rolling back the tax cuts—which is to treat the situation, which is a bad one, with the same medicine that produced it.

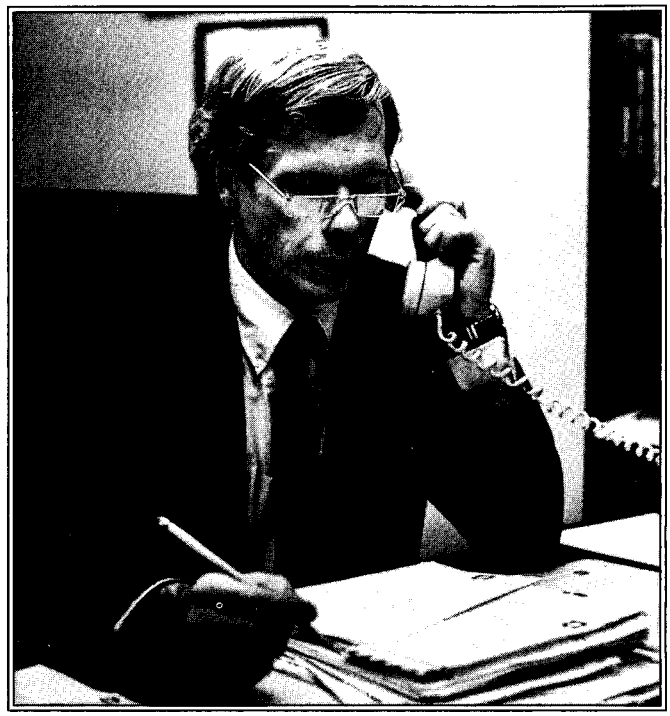
Another fundamental flaw with the approach taken is that it conveyed to the markets two things: one, that the politicians may not have as much faith in those tax cuts as they say, because they shifted them off to the future; and two, that we run the risk we won't ever get them, because when they shift them off to the future, does this mean they are pessimistic about controlling the growth of spending? So I think that that itself brought up doubts that caused a lot of hesitation in the market.

REASON: Cutting taxes has been supported by this administration from within the framework of supply-side economics. Tax cuts were also pushed through by President Kennedy. What's distinctive about supply-side economics?

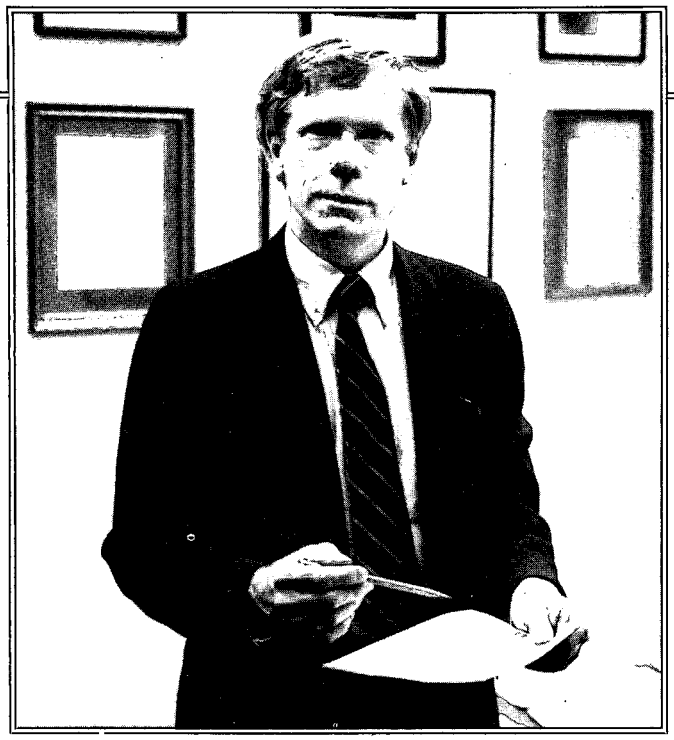
ROBERTS: I think that what supply-side economics was the first to realize, at least in our time, is that the incentives had gone badly and this was affecting the performance of the economy. Supply-side economics, as it's called, has two main points to make about policy, points based in economic theory but also based on observation of behavior. One is that it provides the broadest definition of the tax burden. Milton Friedman is correct that tax revenues collected are not a satisfactory measure of the total tax burden, and he offers instead total government spending, which includes the tax revenues collected *plus* all the government's borrowing. That's a better measure, but it's still not a general measure. The perspective that has been emphasized by the supply-side movement is that the total tax burden includes all the production that is lost to disincentives. So if you're looking at the cost of the tax system, you can't always see it. It includes things you never got, work never done, investments never made, risks never taken—and those costs can be extraordinary.

The other main policy message of supply-side economics comes from its theoretical perspective on how fiscal policy works. In the thinking of the past 20 years, fiscal policy has been deemed to work by the effects it has in raising or lowering disposable income, and thereby aggregate demand or total spending, such that fiscal policy affects the economy through changes in demand. Now, I think what supply-side has added to that is a very, very important part of policy. It's almost like the old argument, is price determined by the cost of production—that is, supply—or is it determined by what people are willing to pay for the product—that is, demand. That was an early argument between economists, and it was Alfred Marshall who said, it's like arguing which blade of the scissors cuts the paper. Well, I think running fiscal policy for 20 years on a demand basis has not been good for the economy. What the supply-siders point out is that fiscal policy works through relative price changes.

For example, if you change the marginal rate of taxation, you have affected not just incomes, disposable incomes, but you have affected two critical relative prices. One is the price that governs people's decisions about how they allocate their existing income between current consumption and savings or investment. The cost to the individual of allocating another unit of his income to current consumption is the forgone income stream—that is, the income he gives up, not having put that money into an investment or saved it. Well, what is the value of that forgone income stream? It is determined by the marginal tax rates, because the investment income will be an addition to your regular income and therefore is taxed at the highest rate that you face. Well, obviously, the higher that marginal tax rate, the less the value of that income stream and the cheaper is current consumption in terms of the forgone income.



"One of the greatest barriers to good economic policy is the competitiveness, personal competitiveness, of the policymakers."



"The original goal of Reagan's policy was *to balance the budget—but through a process of economic growth."*

The example that makes the point the clearest is the Englishman who until recently faced a 98 percent tax rate on investment income, and at relatively low levels. Suppose he's got $50,000 and he's deciding, should I buy a Rolls Royce or shall I put this money in an investment at a 17 percent rate of return? On a pretax basis, $50,000 at 17 percent would provide an income stream, in addition to his income, of $8,500 a year—in this year and all future years—which is a rather hefty price for a car. But *after tax*, the value of that income stream to him drops to $170 a year, which is an extraordinarily low price to pay for a Rolls Royce. In other words, the opportunity cost of the Rolls Royce is an income stream of $170 a year, so the car is practically free. That explains why there are so many Rolls Royces in England. People have been very confused about how England can be a declining economy, because we see Rolls Royces on every corner of London. But the Rolls Royces were not a sign of economic prosperity—they were a sign of a high tax rate on investment income.

REASON: Is there any comparable phenomenon that perhaps we can appreciate in the United States, although perhaps not as drastic as this example?

ROBERTS: Well, here it's been a 70 percent marginal tax rate on investment income. It had the same effect. I can tell you from personal observation. Do you remember, it used to be that exotic cars, luxury cars, very quickly depreciated? One would come out and very quickly would lose its value. I can remember back in 1967, I think it was, I saw a road test of a new Ferrari, it was a 1967 model, in *Road and Track*, and the new car price was $14,500, which seemed like a substantial sum of money. But I said, clip that road test, because always previously prices of Ferraris dropped very rapidly, and you could buy one in several years at a relatively low price. So I clipped it and put it in my file, and I still have it. But that would seem to have been the turning point in, I suppose, the movement of people, with inflation, into higher tax brackets, because that car did not drop in price, and henceforth no Ferraris or Rolls Royces or any of those exotic cars dropped in price; they began rising. I don't mean the new-car price, I mean the used-car price began rising. The last I saw, the same Ferrari—the identical model, 1967—was $55,000. So I think there you have an illustration of the adverse effects of high marginal tax rates on savings and investment. It encourages people to move into consumption, and that has to affect the rate of economic growth and therefore economic progress.

The other critical relative price affected by fiscal policy, by tax policy, is the decision the individual makes about how to allocate his time between work and leisure, or earning current income and leisure, or between leisure and investing in his human capital—that is, upgrading his skills in order to raise his future income stream. Again, that decision is a function of marginal tax rates. The higher the marginal tax rate on additions to his income, the cheaper it is to engage in leisure. So a tax system of high marginal rates that affect very many people generally produces a rise in absenteeism, unwillingness to accept overtime, and a decline in human capital investments. Any additional effort comes on top of the existing work week; so the cost is high in terms of the disutility of the effort made, but the reward is low because of the high marginal tax rate.

These are the main contributions of supply-side thinking to economic policy: how you define the tax burden, and the awareness that fiscal policy affects relative prices that affect all kinds of production decisions—investments, savings, work; not just disposable income.

REASON: You are one of the few economists who has actually very closely studied Marxist economics, whereas most contemporary mainstream American economists don't bother with it a whole lot. What is interesting in the context of what you just said is that the Marxists maintain that separating leisure and work so drastically is ideological baggage. If we were just to drop this separation, we wouldn't have this problem with the economy—if people loved their work more and so on. Is there anything there that is fundamentally mistaken or that you have any comment about, because this Marxist criticism comes up frequently?

ROBERTS: I think that's a very silly utopian kind of view that everybody would just be simply working all the time. Even able people who find interesting jobs don't function that way. I think that what they are trying to do is to cloud up the fact that things have been neglected. Yes, this means a more individualist type of economic policy. There are also people who are committed to rather massive income redistribution and therefore are not in sympathy with lower marginal tax rates, because that will allow somewhat more individual success and somewhat more individual financial independence. And all of those things are not conducive to the collectivist, socialist kind of ideal where nobody really has any economic independence and people are all subject to this, that, and the other and you don't have a role left for differences in personality and interests and ambition and, therefore, income. I think that model, if anything, has succeeded in making the great mass of mankind miserable in their jobs. And so you find that people who once were happy being janitors, for example, doing necessary services that organizations and communities are dependent on, now feel somehow dissatisfied that they are not doing something "valuable" or "important." A whole hierarchy of jobs is what you have in the world, and you have it in

the Soviet Union, too. And until there was the socialist assault on it, people could see each job as important, as contributing to success in a household or institution or firm. That sort of satisfaction in jobs has been destroyed by the socialist utopian propaganda.

REASON: We've talked about large budget deficits, which is a major political topic, but individual business owners are worried about interest rates. This brings up the other major sector of economic theory or economic policy—monetary policy. There is a somewhat esoteric and to many people confusing debate that has perhaps three or four sides. In one corner there are individuals like Henry Kaufman and James Tobin with a Keynesian point of view. In another corner are individuals like Beryl Sprinkel and Milton Friedman with a monetarist point of view. In the third corner there would be Jack Kemp and Lewis Lehrman with a gold advocacy. Can you shed a little light on this debate?

ROBERTS: Well, I'm not sure what Kaufman's point of view is. It seems to be the old "treasury view," which is the antithesis of Keynes. But to comment on your question about monetary policy, I have tried to bring the monetarists and gold people together by stressing what it is that they have in common, what they both want to achieve. One thing that they both seem to be in favor of is a fixed rule instead of a discretionary monetary policy. Another thing they both want is control over the monetary base. So I have tried to point out to them that they really have a great deal in common and they shouldn't overlook that in all their loggerheads, all the competition, and that they should focus on achieving these common goals.

Now, so far the Federal Reserve has shown either an unwillingness or an inability to abide by a quantity rule—controlling the value of the dollar by controlling the amount of money in circulation. The money supply has not been following any steady, predictable growth and in fact has been extraordinarily volatile. By quarters of last year it was like 12 percent, zero, zero, 12 percent. And in January of this year it was hitting roughly 20 percent. So there's no sign of complying with any target—they cross it going up and down, but they're never on the road. So I think that should tell you either that we will have a hard time getting a quantity rule or maybe that they can't deliver for some operational reason, maybe some conceptual ones. But we cannot continue year after year with the kind of monetary volatility that we have had in the past two years. I don't think we will ever see low interest rates with such an uncertain monetary policy, unless people eventually get used to it, which is always a possibility too. But it seems to me that what the monetarists and the gold people need to do is to agree on the need for monetary stability and very quickly find a way to get those conditions incorporated into policy. I have found that one of the greatest barriers to good economic policy is the competitiveness, personal competitiveness, of the policymakers. It's very difficult to get enough fellowship and a group to hold it together to get a policy this country desperately needs.

REASON: What about F. A. Hayek's proposal to actually make the entire monetary system wide open and not have anything like a central bank philosophy any longer in this country, not even a Fed? Hayek proposes that we just allow competition in currencies. Now it's a very remote possibility, but perhaps that is the answer, and maybe people who are concerned should start beating the drums on behalf of something like that.

ROBERTS: Well, I think that there's never anything wrong with getting far out on the issues. I think, however, given the desire for some certainty about monetary things, which I think is very strong among people in the markets, that to tell them now that we just kind of turn the whole thing wide open—that's likely to make people anxious. They are experiencing extreme uncertainty already, and I think what they really want is to have the dollar in some way defined so that it has a given value. The government says this is the value of the dollar. This is what it is, and then the government commences in some way to defend that value.

REASON: But why should anyone believe the government, one administration after the next, when the power to change the definition will still reside in the hands of the government? You yourself note that the volatility is enormous these days.

ROBERTS: But that's the volatility that results from the dollar that is undefined. You see, the whole trouble with the quantity rule of money, from the standpoint of the gold people, is that it does not define the currency. You try to control its value by not making so many dollars available.

REASON: Isn't the gold standard proposed as kind of a stand-in measure for a contractual solidity of money? I mean, even if you threw the money system into the private domain, there would still be stability induced through contractual commitments. The gold people would tie it to the gold standard, but in a private system, you would have to tie it to contract.

ROBERTS: You mean you would have a gold standard in the private money?

REASON: Something like that, or some sort of standard.

ROBERTS: That might well happen. I don't want to say that I'm against privatizing money or having people advocate privatizing money. I'm trying to say, though, that, given the problems that we have right now to survive—we always have to survive with what we are faced with—we would not solve them by trying to establish private money, because I don't think that push would succeed right now.

REASON: Milton Friedman and Hayek had an exchange at Hong Kong in 1978 at the Mont Pelerin Society meeting precisely on this. Friedman made your point about the political feasibility of a private money system, and Hayek's answer was: Well, the political feasibility is determined by the people like you, Milton. If you suppress the idea and don't go out in your *Newsweek* columns and say it, then of course it's not going to be politically feasible. It's only going to be politically feasible if we educate people. Feasibility doesn't just exist there, it is created.

ROBERTS: There's certainly truth to that, but there's still truth to my point, too, which is that at this time, given the anxiety of the markets and people about money—which is one of the reasons I think interest rates are so high—I don't think you would reduce that anxiety by saying, "Look, it's all going to be up to individual banks. Some will have a greenback standard, some will have a gold standard, and we're going to see what falls out." People aren't ready for that. I don't mind having people educated to the advantages of competing currencies and so on, but the immediate problem is that we can't go on year after year with this kind of volatility, this kind of uncertainty—it's destroying long-term contracts, it's destroying long-term bonds, it's affecting long-term investment decisions. And I don't think we should live with that volatility over the next decade or however long it takes to bring in this other view of money. You've got to deal with the problems now in the best way that you can now.

REASON: And that's where we'll have to end it. Thank you very much. ◻

Plumbing the Economy

BY TOM BETHELL

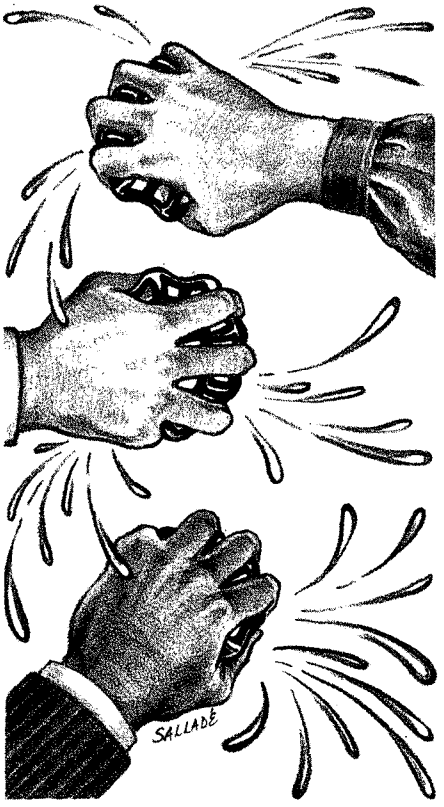
If you look at most economics books published in the last 20 years, you will find "the economy" depicted as an interconnected set of pipes in which the "income stream" flows in circular fashion. It is remarkable that no one seems to have drawn attention to the implications of the hydraulic metaphor that is integral to so much Keynesian and post-Keynesian economic analysis.

We are all more or less familiar with the metaphor itself. Money is *liquid*, and it flows in an *income stream.* (All except savings, which are thought of as a counterproductive seepage from the pipes. That is why economic policy to this day actively discourages saving.) Sometimes there isn't enough money in the pipes to create "full employment," and at such times it is necessary to *prime the pump.* Fiscal policy, after all, is intended to "change the *level* of income and spending," as the Brookings Institution said in *An Introduction to Economic Reasoning* (1962). In many economics texts you will find references to the *flow* of spending, and so on. Other illustrations of the hydraulic analogy could be given.

There are several points worth discussing here. In the first place, an economy that is "explained" by reference to water flowing through a system of viaducts and pipes implies the existence of a kind of "central control panel" where important people called economists control the water flow. They sit in front of levers marked "fiscal policy" and "monetary policy" that can be eased forward when "stimulation" of the economy seems desirable. On the other hand, they can pull the levers back if things get "overheated." (I guess the aquatic analogy isn't entirely consistent.)

In any event, it is immensely pleasing to professional economists to believe that this degree of control is within their power and that they might one day be fortunate enough to sit at the control panel, reading the dials that record all the latest data coming in from the Commerce Department and the Bureau of Labor Statistics, and then whipping out their calculators for a quick check before arriving at a sound judgment as to the economy's need for pump priming or throttling back. (Notice, incidentally, how the very phrase *the economy* tends to encourage this vision of economic activity.)

Another point—so deeply embedded in the whole idea of pipes, levers, and control panels that one does not at first notice it—is that it reduces real people who perform real economic activity to the level of particles responding obediently to the decisions of economists in the same way that water molecules respond obediently to the laws of physics.



With people reduced to particles, the hopeful economist can then believe that economics is well on the way to certification as a science, awaiting only its Newton.

And there is another point about this reductionism by metaphor. The individual qualities of the human mind, which had been assumed in classical economics to animate economic life—such things as hope, fear, faith, and charity—are booted out of the calculation without even the courtesy of acknowledging that they had once been considered important. In short, people don't respond to *incentives* (which derive from private calculation and interior judgment); they respond to *forces* (outside the control of the essentially passive economic actors).

This was perhaps the greatest triumph of the Keynesian revolution. Keynes was too intelligent to deny outright that people behave self-interestedly—that is, rationally—in committing themselves to work and effort. Instead, he simply drew up a system of pipes in which such rationality was no longer a fit topic for discussion. (Did one bother to inquire whether drops of water *wanted* to go this way rather than that?)

Not surprisingly, economists of statist, socialist, or crypto-socialist inclination have been particularly pleased by these developments, because they have always been dismayed by the idea that people are motivated by self-interest. If their view of humanity was correct, people were supposed to be willing—indeed, eager—to toil away on behalf of the collective, or the state. So the new economic model that reduced people to particles and deprived them of their incentives was particularly welcome to a significant segment of the intelligentsia.

In this light, we can see what a revolution supply-side economics has been. More precisely, it has been a counterrevolution—a movement back, to overthrow the collective, particulate, "income stream" model and replace it with individuals making rational calculations. And to the extent that supply-side economics decentralizes decisionmaking by reducing tax rates to allow citizens more control over their lives, it also takes power away from the control panel.

Is it surprising, then, that professional economists have often proved to be so resistant to the new theory? They like it no more than archbishops would enjoy seeing cathedrals boarded up. And that is why the supply-side counterrevolution will be harder to carry out than the Keynesian revolution ever was. The academics and intellectuals and economists could see that Keynesianism had something in it for them.

But supply-side does have one important thing going for it: it corresponds to reality. People aren't drops of water.

Tom Bethell holds the DeWitt Wallace Chair in Communications at the American Enterprise Institute.

Illustration by Susan Sallade'

The Futures of Stocks

BY STEVEN K. BECKNER

One of the brighter aspects of the Reagan era has been the deregulation of financial markets. The latest manifestation of the new climate is the introduction of stock index futures to an enthusiastic market reception. Within a few months, three exchanges have launched trading in three different stock indices, allowing speculators to buy or sell the entire market rather than individual stocks and enabling investors and institutions to hedge their actual stock positions.

Predictably, many would-be regulators branded the new futures instruments as a form of "gambling" that would drain and weaken the equity market. But there is every reason to believe that stock index futures will not only be a boon to investors but will strengthen the stock market. As they mature, the index futures markets—Kansas City Board of Trade's Value Line Average (VLA) index, Chicago Mercantile Exchange's Standard & Poor's 500, and the New York Futures Exchange's New York Stock Exchange (NYSE) composite—will probably attract more and more hedging interest from individual investors, pension funds, portfolio managers, estate executors, new issue underwriters, market makers, and specialists.

As Ira Haupt, a partner in the NYSE member firm of Haupt-Andrews and trader on the New York Futures Exchange, says, "[Stock index futures are] another form of risk transfer (in addition to stock options), and the more risk transfer you have, the more valuable the underlying stock market. It increases the liquidity of the stock market."

Each stock index futures contract has a minimum price move of 5 cents, and since the value of each contract is $500 times the spot index, a minimum price move is worth $25 per contract. A full point move is worth $500 per contract. None of the markets, incidentally, have maximum ("limit") price moves, a welcome change from disruptive past practice.

At the indices' recent spot levels (132.11 for the Value Line Average of 1,685 stocks, 118.22 for Standard & Poor's 500, and 68.20 for the New York Stock Exchange composite index of 1,532 stocks), the Kansas City contract is worth $66,055; the Chicago Merc contract, $59,110; and the New York Futures contract, $34,100. Exchange minimum margins vary—from Kansas City's $6,500 to $6,000 on the Chicago Mercantile Exchange and $3,500 on the New York Futures Exchange. That works out to approximately 10 percent.

If you are of a speculative frame of mind, stock index futures are a highly leveraged way of trading the stock market. "A guy with $100,000 who wants to speculate in the stock market, instead of going to his broker and buying all these stocks, can now just buy the market," observes Dr. Wray Kunkle, manager of Richardson Securities in Washington. "Plus, he can control $1 million with $100,000." (The margin on stock purchases is 50 percent.)

The simplest stock futures plays are outright long or short positions. If you think the stock market is going to rise generally between now and the end of the year, you can go long and buy a December NYSE contract, which traded recently at 69.45. If between now and the end of December the NYSE index rises to 71.45, the two-point move is worth $1,000 per contract. If the opposite happens and the index falls two points to 67.45, you lose $1,000—unless, of course, you were *short* December.

Because the premiums on forward months are very small in all of the stock index futures, the market favors bulls. For longs, the smaller premiums mean greater profits and smaller losses for a given change in price. For shorts, the smaller premium means smaller profits and greater losses.

Spreads—buying or selling contracts in different months or different markets—are a less risky way of trading stock index futures. Because they tend to be less risky, they carry lower commissions and margins. The object is to gain from future changes in the differential between two contracts.

Most common are intramarket spreads. The general rule is: if the distant months seem to be rising faster than the nearby months, buy the distant months and sell the nearby. If the front months seem to be rising faster than the back months, you would do the opposite—buy the nearby and sell the distant months.

Another possibility is an intermarket spread. You might want to go long the VLA index, for instance, with its greater weighting of better-performing second-tier stocks, and short the NYSE index with its preponderance of heavily capitalized stocks. If and when indices based on industrials, utilities, transportation stocks, and so forth are approved, the possibilities widen. If you expect different trends in the stock and bond markets, you can already do a spread between one of the stock index contracts and a Treasury bond or Ginnie Mae contract.

Because no one knows where the stock market is going from day to day, or even month to month, it is best to follow a few rules. To begin with, get to know the market. Although there are as yet no charts available on these futures, it is easy enough to get charts of the actual indices. In addition, you can chart the different contract months yourself. Having done that, you can draw trend lines and trade within the channel that they form—selling at the top of the trading range and buying at the bottom. Using moving averages—watching the intersection of three different period averages to pinpoint trend changes—is more precise.

No system is perfect, so it is wise to use "stop" orders. Whether you are buying or selling, you can place a standing order with your broker to close out your position at some prudent level above (if you are short) or below (if you are long) your entry price. That limits the risk of an adverse price move.

A final word of warning: this market is not for the small investor with little financial cushion nor for the nervous. As with other "commodities," the risks of loss are as great as the profit potential. It should not be supposed that one can simply buy or sell the indices and cash in if the market moves your way. Short-term fluctuations en route to your predicted bull or bear market can wipe out your margin and more very quickly. If you can't stand large setbacks, you should look instead at stock options, where the risk is limited to a relatively small premium. Or wait for the next new wrinkle—options on stock index futures.

Steven Beckner is a free-lance financial writer, the assistant editor of World Money Analyst, *and the author of* The Hard Money Book.

Hope for Herpes

BY DURK PEARSON AND SANDY SHAW

Herpes viruses cause some of the most common of human diseases: herpes type 1 (cold sores) and herpes type 2 (genital herpes). Genital herpes is now an epidemic and is probably the most prevalent form of venereal disease. Unfortunately, herpes viruses have also been implicated as causative factors in several types of human cancers, including Burkitt's Lymphoma, nasopharyngeal cancer, cervical carcinoma, and possibly some forms of breast and liver cancer.

Herpes is a slow virus; once a person is infected, he remains infected for life although he may be symptomless most of the time. The herpes virus inserts a few copies of its own genetic information into the DNA of many of the victim's cells. Once this information is inserted, there is no way available as yet to remove it. The herpes information seems to remain inactive until the cell's genetic material is damaged—through ultraviolet light exposure, emotional stress, or illness—when the herpes nucleic acid may become activated.

Available approved treatments for herpes virus infections have been highly toxic. The most frequently used is 2'-deoxy-5-iodouridine (Idoxuridine), which interferes with normal incorporation of thymidine during DNA synthesis, in normal as well as in infected cells. Idoxuridine is a mutagen (causes mutations) and a carcinogen (can cause cancer). It is used in the treatment of herpes because of the absence of FDA-approved safer systemic treatments and because, left untreated, herpes infections can have serious consequences, such as blindness or death by brain infection or, possibly, cancer. A new, less-hazardous nucleic acid analog, Acyclovir, has just been approved by the FDA, but only for topical treatment of type 1 or initial type 2 herpes. (It is ineffective against recurrent genital herpes.) While safer than Idoxuridine, Acylovir also works by interfering with DNA synthesis in both normal and infected cells.

Herpes viruses belong to a class of viruses that have a lipid (fatty) coat surrounding its nucleic acid core. This coat makes it difficult for immune-system antibodies and white blood cells to recognize the virus as foreign, because the coat is made up of fats normally found in our tissues.

A new and effective treatment for herpes viruses has recently been discovered. BHT, butylated hydroxytoluene, is a very low toxicity food preservative (antioxidant) that has been found to kill all small nucleic acid core diameter, lipid coated viruses tested, including herpes. Dr. George Rouser at the City of Hope Hospital, a world-renowned expert in fatty acid structures, explained to us that BHT probably works by destabilizing hydrogen bonds in the lipid coat, so that the coat is stripped off. Once it is gone, the white blood cells and antibodies recognize the foreign viral nucleic acid core and accompanying foreign proteins and destroy it.

Few doctors know about BHT as a treatment for herpes because it is not FDA-approved.

BHT has undergone very extensive tests of toxicity, many conducted by companies selling it as a food preservative. Monkeys have been fed up to 30 grams a day, an immense dose. The only adverse results at these doses was an enlarged liver (BHT induces the synthesis of certain liver detoxification enzymes) that returned to normal after the animals were taken off the BHT.

We started taking BHT (two to six grams per day) in 1968 for its free-radical-controlling, life-extension effects, discovered several years earlier by Dr. Denham Harman, the creator of the free-radical theory of aging. When we saw a paper by Snipes on in vitro studies of BHT and herpes in 1975, we calculated that our experimental life-extension dose would be highly effective in treating herpes in man and other animals. Snipes had performed no animal experiments and expressed some doubt that enough BHT would be absorbed orally to be effective. We knew from the mild psychotropic (mind-altering) effects of a large dose of BHT taken on an empty stomach that substantial amounts were absorbed from the gut and that it could penetrate the blood-brain barrier as well. We also knew that, according to our clinical test results, two grams of BHT per day was reasonably safe, at least for us.

When, in 1975, a medical cytologist friend with severe, persistent genital herpes was told by her gynecologist to be celibate for six months and hope for improvement, we conducted the first (to our knowledge) human experiment on the effect of BHT on herpes. We supplied copies of the Snipes paper, toxicological data, our own clinical test results, BHT, and instructions. It worked perfectly—the herpes was completely suppressed, and her clinical tests remained normal.

BHT has also been used in a doctor's uncontrolled clinical trial involving over 150 patients with herpes (with either or both type 1 and type 2), all of which achieved remission with BHT. The herpes patients used two grams per day in divided doses to control their herpes. BHT use should be maintained (although the dose may be reduced to as little as 1/4 gram per day after about 10 days to two weeks in some cases), because the BHT kills only the free viral particles, not the viral information inserted into otherwise normal cells. So far, we do not have any way to destroy the inserted viral information.

Few doctors know about BHT as a treatment for herpes because this is not an FDA-approved therapy. BHT's patents have long ago expired, so there is no incentive for any company to spend the $56 million (on the average) and 8 to 12 years to get it approved for this purpose. In the meantime, any doctor who uses BHT has to consider possible malpractice suits, which are much more likely when an FDA-unapproved treatment is used.

Remember that this FDA-unapproved treatment is experimental, and predrug baseline and postdrug follow-up clinical tests for liver function, serum lipids, and a complete blood count would be prudent. *Caution:* BHT should not be used

(Continued on p. 56)

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SPOTLIGHT

Universal Attorney

BY PATRICK COX

Science fiction author Robert Heinlein once wrote, "A human being should be able to change a diaper, plan an invasion, butcher a hog, conn a ship, design a building, write a sonnet, balance accounts, build a wall, set a bone, comfort the dying, take orders, give orders, cooperate, act alone, solve equations, analyze a new problem, pitch manure, program a computer, cook a tasty meal, fight efficiently, die gallantly. Specialization is for insects." Attorney Art Dula has taken Heinlein seriously.

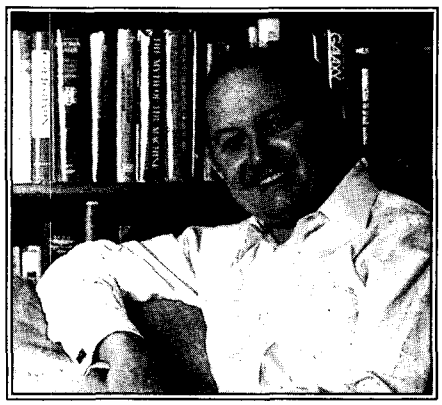
As a prelaw student at Eastern New Mexico University, Dula majored in chemistry and minored in math. He went on to Tulane University's law school, where he distinguished himself on the law review. He has worked as a patent attorney in high-technology areas that include medicine, interstellar mining techniques, and solar sails for powering spacecraft.

Dula's library houses both first-edition Heinleins and antique law books. He lectures on the future of space development and the history of law and brings them together to fight for the right to capitalize on the vast resources available beyond the earth's atmosphere. The major threat to seeing space developed in our lives, Dula worries, is that profits in private space ventures may be outlawed.

The United Nations' 1967 Treaty of Principles declares that the resources of space are "the common heritage of all mankind." Though the US government, encouraged by Dula and others, rejects a collectivist interpretation of that phrase, it is clear that the Soviet Union and most Third World nations believe that developers should be able to exploit space only with their permission and that the profits from such ventures should be distributed among all nations.

"The United Nations," objects Dula, "is not a particularly useful forum for developing the law of space. Half the countries in the UN don't have the GNP of San Francisco, and lots of the people who are sent to the UN are sent to get them out of their home countries." From the beginning, the Soviets have attempted to ban profits in space. The first draft of the 1967 treaty forbade free enterprise in space but was scuttled by US opposition and a very practical move of establishing a commercial, quasi-private satellite system, Comsat, in the year that the profit ban was proposed.

"Space is the frontier!" Dula exclaims. Dula is convinced that development is inevitable if governments don't succeed in tying business to earth, but even the US government is not sold on encouraging entrepreneurship. In a 1978 report he wrote for NASA, he detailed 10 factors discouraging private participation in the



ART DULA

shuttle program and blamed the NASA Act—the national space law—for most of them.

A good example is NASA's discouraging the development of private booster systems. Even more significant is the agency's policy of retaining all patents developed using their operations. NASA has the legal power to disseminate to other companies and governments any trade secrets developed by private firms using its facilities, including the space shuttle. This policy destroys much of the entrepreneurial advantage of research and development in space. NASA has even banned the transportation of trinkets on the shuttle system, though the sale of buttons and pens that have taken a shuttle ride could go far toward financing scientific experiments.

Dula is also critical of NASA's concentration on military and academic activities, pushing commercial projects into the background. NASA, he complains, doesn't understand that frontiers are settled for economic, not scientific, reasons.

After working as a consultant to NASA and General Dynamics studying the possibilities for financial activities in space, Dula opened his own practice in aerospace and technical law in late 1979, in Houston. He also joined three ex-NASA engineers to start Eagle Engineering. The company deals with existing high-technology problems and does assessments of as yet undeveloped enterprises such as solar power stations and ocean-thermal-energy systems.

Entrepreneurs have always resented the delays but overcome the bureaucrats, so the question put to Dula is, "When will space be inhabited and developed?" He has promised his wife, a banking attorney, that they'll visit the moon by 2001. He compares the aerospace industries today to a pot just before it boils. "Investment is hyperbolic," he says. "It starts slow and then explodes." He expects a significant part of GNP to be related to space by the first part of the 1990s. "A single nickel-iron asteroid less than 100 meters in diameter is an economic resource worth $5 billion," he points out. "We know we have a resource base that is more than 10,000 times greater than that which is available on earth, using technology already in existence."

Though Third World governments are trying to prevent space development, Dula is concerned that, without private enterprise in this realm, the Third World community will not be able to break out of its long-standing poverty and illiteracy. Dula quotes Wells: "It's the universe or nothing. It's the only place to get resources for everybody if we want to continue to improve the world's standard of living."

For astute Americans, Dula advises keeping track of aerospace industries for the financial opportunities they will afford. In addition, he urges the support of politicians who favor entrepreneurial activities in space. He says he "tithes" about 10 percent of his income to people and organizations who work toward that end. Obvious areas of investment are in communications and zero-gravity manufacturing, but Dula says the most important areas probably haven't been discovered yet. "I'm trying to be conservative," he says, "but we're ready now. Both culturally and economically, space is the frontier."

Patrick Cox is a free-lance writer.

arts & letters

MOVIES

Reviewed by John Hospers

The Road Warrior

From Australia comes a saga of such violence that even those who have been anesthetized to violence by overexposure may be somewhat sickened by it (though most of the audience apparently loved it). Apart from that, however ("Apart from *that*, Mrs. Lincoln, did you enjoy the theater?"), *The Road Warrior* is an intriguing story and extremely well told. Like a New Zealand film a month or so earlier, *Battle Truck*, it is a futuristic tale of struggle and savagery: with most of the human race decimated by war, what remains of society consists of a small number of armed enclaves, each at odds with the other for scarce resources, except for a loner (Mel Gibson) who is the hero of this tale. It shows in chilling detail what life is like without the amenities to which we have become accustomed and that trust and benevolence in dealing with people one doesn't know well is a luxury that may cost one's life in a situation of privation and danger. Filmed in the Great Australian Desert, this production makes these points as subtly as a ten-ton truck.

Road warrior Mel Gibson

Gilda Radner and Gene Wilder get caught up in hanky panky

Hanky Panky

One naturally expects that a film entitled *Hanky Panky* and starring Gene Wilder will be a raucous comedy. And indeed there are some very funny scenes in it: one heated argument in a plane going berserk over the Grand Canyon is one of the funniest scenes in recent films. But, as the strains of the solo clarinet during the opening credits should have warned us, this is not primarily a comedy at all. It is a thrilling suspense film, in which very little but loose ends appear at first, and gradually the pieces of the puzzle fit together in a very orderly and satisfying way, quite worthy of Hitchcock himself—only the director this time is Sidney Poitier.

The results are entirely worthy of his efforts. Involved are chases, murders, computer technology, government attempts at mind twisting, and the deciphering of a painting by a man recently murdered who in death holds the solution to the mystery. No great social or political implications are apparent, though they could have been drawn; it's first and foremost suspenseful entertainment, a goal that is amply achieved. As a part of the mix, the feelings of an innocent bystander who inadvertently gets caught in the midst of a situation involving imminent death, with national implications before it's all over, are projected with considerable skill. This one is very much worth seeing.

Wrong Is Right

When the film *Network* appeared a few years ago, to high acclaim, it was hard for a thoughtful viewer to figure out what it was all about. There was lots of action, lots of aggressive talk ("I'm mad as hell, and I'm not going to take it any more!"), but it was never very clear against whom or what all this anger was directed. In the end, it was a pointless picture without thrust or focus.

The same is true in spades of *Wrong Is Right.* There is such constant action as to result in sensory overkill. There is also lots of killing—with machine guns, with acid, with poisoned pen-knives, with chemically treated light bulbs, even with atom bombs. But what is the theme of it all? Is the CIA the villain? the Arab sheikdom? the Arab rebels who take it over? No group presented has much in the way of redeeming virtues. Or perhaps it is the medium of television itself, which by presenting the gore, spawns more of it. Yet the only character that isn't portrayed as despicable is the television newsman (Sean Connery). It's hard to know what to make of all this meaningless nonstop action. In the end, this too is a pointless, stupid film, without clear direction or focus. If only five percent of the money spent on it had been spent on a decent script.

John Hospers is a professor of philosophy at the University of Southern California.

LANGUAGE

When the Bright Age Dawns

By Richard Mitchell

Students do not read, write and do arithmetic as well as they used to because they can get along quite nicely without these skills. . . . Americans are finding that they need to rely less and less on 'basic skills' to find out what they want to know and what they want to do. Our basic skills are declining precisely because we need them less.

—Peter Wagschal, futurist,
University of Massachusetts

Yeah. And that's not all! Just you take a good look at the standard American dogs and cats. They live pretty damn well, toiling not, neither spinning, and they've never even *heard* of stuff like reading, writing, and arithmetic. They "do quite nicely without those skills," and so do tropical fish and baboons. And so, too, did black slaves and Russian serfs, and all those marvelously skillful and industrious ancestors of us all who gathered nuts and roots and killed small rodents with sticks. They all knew everything they needed to know.

We would probably never have heard of Peter Wagschal, or of his neato futurist studies, if it hadn't been for one Larry Zenke, a pretty neato guy himself. Zenke is superintendent of schools in Tulsa, Oklahoma, where men are still men. Did he quail when the national achievement test scores, which used to be quite good in that prosperous and orderly city, hit new lows last fall? Nosirree. When taxpayers grumbled, did he ignominiously promise to do better? And when the *Tulsa Tribune* started off its editorial mouth about "fads" and "anti-academic garbage," did Zenke tiptoe away into the piloting of experiential remediation enhancement parameters?

No way. Not in Oklahoma. In the finest frontier fashion, he stood up tall in the middle of Main Street at high noon and told the unruly rabble that maybe they'd like to talk it over, before doing anything hasty, with his pal, Pete (The Persuader) Wagschal, who somehow just happened to drift into town. True grit.

Then, having (by proxy) brought light to the benighted fuddy-duddies of Tulsa, Zenke, who obviously knows more than he lets on, laid a little groundwork for the defense of *next* year's test scores: "Wagschal even suggests that 50 years from now we could be the smartest, most knowledgeable society that has ever existed, *and yet be largely illiterate.*"

The italics are Zenke's, not ours, and we're grateful for them. We have often wondered what kind of an idea it would take to make a school superintendent excited about the life of the intellect.

And a dandy idea it is, especially for all those much-misunderstood "educators,"

Which is it you've lost, your spirit or your minds?

saddled (for now) with the thankless (and difficult) task of teaching what no one will need to know when the bright age dawns. All that burnout and stress! And for what? For nothing more than an arcane and elitist social grace no more necessary in a truly "knowledgeable society" than the ability to play polo or the lute.

And how, you ask, will people who are "largely illiterate" come to amass all that knowledge? Well, don't you worry, bless your heart. Someone will probably be quite willing to tell them what to know, even if it means all the trouble and expense of attaching loudspeakers to every lamppost in America.

The teachers, then, will be liberated to do what the teacher academies train them to do. Zenke foretells:

Teachers, for example, will no longer be disseminators of cognitive information—machines will do that. Teachers will be program developers and/or facilitators of group membership, helping students develop interaction skills. Some educators, of course, will be found too rigid to survive this metamorphosis, and those who do will find excitement and fulfillment in their new "teaching roles."

And that will be just dandy too. Happy, happy, the teachers of tomorrow, at long last fulfilled and excited! Freed forever from the stern constraints of the tiny smatterings of mere information still incongruously expected of teachers, the facilitator-trainees of the future will be able to spend *all* their time in the enhancement of their interaction skills, so that they can go forth and facilitate the same for little children. (Those cunning tots, of course, *do* have to be *educated*, you know, so that they will sit quietly in organized groups when it's time to hear some knowledge from the loudspeaker.)

Which is it you've lost, Tulsans, your spirit or your minds? Could it be both? Do you lie awake in the still watches of the night worrying about those godless communists who are panting to nationalize oil? Do you fear that bleeding hearts will take away the guns by which you fancy that you won and may yet preserve your liberty? Pooh, Tulsans, pooh.

The most dangerous threat to your liberty, the one that has by far the best chance of turning you all into docile clods, is right there in Tulsa. Think, dammit! Do you imagine that foreign enemies of this nation could devise for your children a more hideous and revolting destiny than the one so blithely envisioned—and as an *exoneration*, no less—by the superintendent of schools?

Do you yawn and turn to the sports section, citizens of Tulsa, when the man whom you have hired to oversee the growth of understanding and judgment in your children airily tells you that in a palmier day they will have no need of the literacy that alone can give those powers? Do you shrug when he tells you that the children will be spared the burden of whatever "cognitive information" they don't actually need, which must obviously, since the children will have no powers of judgment, be chosen by someone like Zenke? Do you, like Zenke, dream of the day when no one will be able to *read* our Constitution, but it won't matter, because the machines provided by the government schools will tell us all we really need to know about it? Can you think of something to say to those teachers, and superintendents, who are *not* excited and fulfilled with leading young minds into the ways of understanding and thoughtful discretion?

Does it not occur to you that the inculcation of "interaction skills" for the purpose of "group development" is exactly the opposite of an education, by which a mind can find its way *out* of group-think and the pet promulgations of collectivisms? And in short, Tulsans, what are those strange black boxes we see on *your* lampposts? What soothing message have they recited, even as you slept? How is it, O Pioneers, that you are not mad as hell?

Richard Mitchell is the author of Less Than Words Can Say *and the publisher of the* Underground Grammarian, *from which this column is adapted.*

BOOKS

Rethinking Socialism

Economic Calculation in the Socialist Society.
By Trygve Hoff.
Indianapolis: LibertyPress. 1981.
405 pp. $9.00.

The Recovery of Freedom.
By Paul Johnson.
Oxford, England, and Totowa, N.J.: Blackwell. 1980. 232 pp. $7.95 paper.

Reviewed by Antony Flew

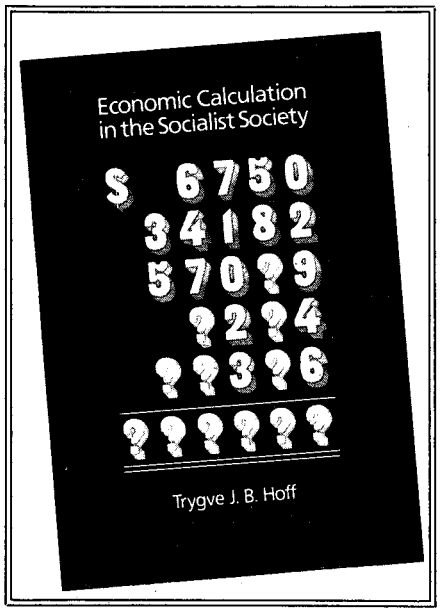
Economic Calculation in the Socialist Society by Trygve Hoff and *The Recovery of Freedom* by Paul Johnson were both written by one-time socialists later radically reconstructed. The rejoicing among proponents of the free market over every once-lost soul since saved must in these cases be the greater because the fruits of repentance are so excellent.

Trygve Hoff was a Norwegian economist with "an original sympathy for socialist ideals," a sympathy replaced by "an ever growing doubt as to the political, cultural, and economic consequences of socialism." Graduating from Oslo University in 1916, he received his Ph.D. from the Harvard Graduate School of Business Administration in 1920. There he became intrigued by the contention of Austrian economist Ludwig von Mises that under socialism rational economic calculation must be impossible. The present book was first published in 1938 in Norwegian; an English translation appeared only in 1948.

It is this translation that the LibertyPress has now reissued, with a preface by Karen Vaughn of George Mason University. The book reviews the whole controversy about the economic potentials of socialism up to 1938, providing a comprehensive, fair, and acute account of all the positions taken in a widely scattered and often rather inaccessible literature. Hoff's own judicious yet decisive conclusion was, not that a socialist economy is impossible, but that it is bound to be massively inefficient.

Writing at a time when the USSR was the only fully socialist economy, Hoff is abstemious in his references to socialism in actual practice. In the main these are confined to an appendix, "Comparison between Our Conclusions and Experiences in Soviet Russia." Its greatest present interest lies precisely in the fact that it can refer only to the first and most enthusiastic 20 years of the first fully socialist country of the modern period. It is sad to notice now the unfounded optimism of Hoff's final quotation from L. E. Hubbard: "politically, the Soviet Government is visibly tending to become more democratic as the younger dictatorships become more despotic."

It is perhaps a pity that Vaughn does not better utilize more recent experience in the introduction. Hoff points out how many socialist and, especially, Marxist socialist economists are confident that they and their like, as the paternalistic planning elites, will be able to determine the true needs of the vulgar without reference to our actual and, they think, often misguided wants, as expressed in the prices we are prepared to pay. Hoff also concedes that, if such an elite "takes as its only aim the development of a war machine," then "a military central authority will, presumably, be better able



than any other to determine the relative value of existing resources in the light of this particular aim."

I wish, for instance, that Vaughn had related these two observations to two facts of more recent experience. First, as late as the '50s and even the '60s, socialist false prophets in Western Europe were telling us that the real Soviet threat was going to lie in the popular appeal of their demonstration, in the fairly near future, that a planned and socialist economy is bound to provide the people with more and better goods and services than any freer rival. Second, since the '70s, "a military central authority" in the USSR, the Politburo, has decided to go flat out to achieve and maintain a global military superiority—very obviously at the expense of the despised and neglected Soviet consumers, whose purses have in a command economy no power to direct production. Hoff's central, fundamental, and correct contention is that, if the aim is to satisfy our wants as consumers, then there must be prices determined by whatever we are prepared to pay; and the rise and fall of these prices must be allowed to determine what goods and services are produced and offered to us. He concludes that "each factor of production must be so employed as to give the greatest return....This, and only this, is the criterion for rational economic activity....it is here that there arise specific, and so far, unsolved difficulties for the socialist society."

The second book is a collection of the essays written by Paul Johnson on his recent four-year journey: between the editorial offices of the *New Statesman* (the weekly journal of the British socialist intelligentsia) and the campaign headquarters of Margaret Thatcher. (The Blessed Lady Margaret is seen—rightly—as the last, best hope of all of us fighting to defend and extend what remains of a free economy and a free society in the original modern homeland of those two inseparables.)

There are two reasons why such British essays should have a more than merely parochial interest. First, Britain has gone so much farther down so many wrong roads that, even if we British fail to save ourselves by our exertions, we may still do something to save others by and from our bad examples. Second, Britain occupies a key position within NATO and the whole Western (and US) defense system, a system that scarcely could survive the reelection of a Labour Party that is now at best determined to abandon all effective defense and at worst enthusiastic actually to enter the Socialist bloc.

The Recovery of Freedom has little to say about the foreign relations of British socialism, even though these offer significant indications of internal intentions. It is curious that Johnson, in this respect like too many of the foreign correspondents now in London, finds no occasion to note that the Labour Party has taken to receiving at its conferences representatives from various ruling Communist parties. Equally regularly, it now sends its own delegations to pay visits to them as a brother socialist party.

Within the four-year period covered by these essays, in the very year that the AFL-CIO honorably strove to honor Alexander Solzhenitsyn, the General Council of the British Trades Union Congress (TUC), with only a handful of dissentients, preferred to wine and dine one of the former jailors—Alexander Shelepin, then the state-appointed boss of the Soviet *arbeitsfront* and a sometime director of the KGB. Again, and it must have been just about when Johnson was writing his first essay, the national executive of the Labour Party sent a three-person mission, including one of Harold Wilson's ministers, to Portugal. Its unanimous report backed the Communist party of the hardline Cunhal, then bidding for total and irremovable Stalinist power, rather than the more genuinely democratic socialists of Mario Soares. Such things should be remembered when we ask in what sense even the present intentions of the British TUC and its creature, the Labour Party, are still democratic.

What Johnson does give us is, both in style and in content, formidable. First comes the initial trumpet blast of the new Johnson. Under the title "A Brotherhood of National Misery" and with all batteries firing, he sails into the stupid, bigoted, boorish, bullying, bloody-minded, and passionately antiproductive British labor unions: "Smug and self-assured, oblivious of any criticism, they have encouraged British industrial workers in habits and attitudes, in rules and procedures, in illusions and fantasies, which have turned the British working class into the coolies of the Western world, and Britain into a stinking, bankrupt industrial slum."

From this rollicking start, Johnson proceeds to "The Rise of the Know-Nothing Left," deploring the "spread of Yah-hoo politics in the Labour Party and the Left's intellectual bankruptcy." After this, in "Towards the Parasite State" and "Labour and the New Leviathan," he begins both to recognize the sinister signs of a reversal of the long march from status to contract and to see collectivism as the great enemy. Part One concludes in September 1977: "Farewell to the Labour Party."

In Part Two, Johnson starts to show himself both a widely read historian and a very liberal yet still genuine Roman Catholic. In Part Three, "The Libertarian Alternative," he puts the question "Has capitalism a future?" into an especially illuminating perspective: it is capitalism alone that has enabled some people to escape the poverty that was once the universal human condition. Johnson then proceeds, with the same fresh and exhilarating breadth of vision, to give a categorically and unhesitatingly positive answer to his second question, "Is there a moral basis for capitalism?" Finally, in Part Four, he deals firmly and faithfully with the contemporary growth of political terrorism. To sum up in a last word: Welcome aboard, Paul Johnson; we need every convert who will come to us, and especially we need more of your temper and caliber.

Antony Flew is a philosopher who teaches at the University of Reading in England. His most recent book is The Politics of Procrustes.

Can Freedom Flourish?

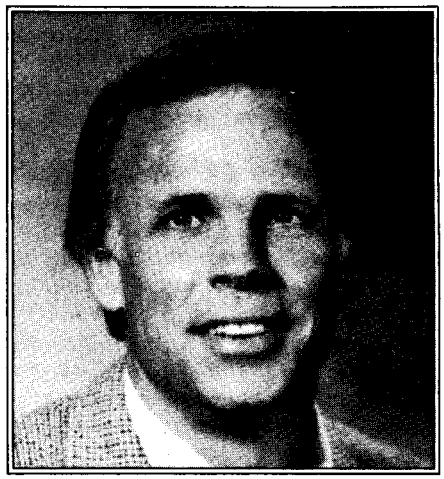
Bound to Be Free.
By Richard McKenzie.
Stanford, Calif: Hoover Institution Press. 1982. 201 pp. $15.95.

Reviewed by William M. H. Hammett

In exploring the economic dilemmas of our democratic political order, Richard McKenzie mentions a number of political devices that he seems to believe will restrict or control the ability of factious interest groups to enrich themselves at our expense through government power. Economic freedom might be written into the First Amendment and thereby acquire equal constitutional status with freedom of speech. Government taxes or expenditures (including those indirectly imposed by regulation) might be tied to a specific percentage of national income; and perhaps a balanced budget might also be mandated. We might limit the growth of the money supply or even introduce competition in monies. Deregulation of many or even all industries could be accomplished in one bold stroke. Finally, the majority necessary to pass federal legislation might be raised to 70 percent.

I say "seems to believe," because Professor McKenzie devotes barely 10 pages of an already slim volume to presenting very far-reaching and controversial constitutional and legislative proposals. There is no discussion in depth of any one of them. Perhaps this rather cursory treatment of the "constitutional principles that must undergird a free economy" stems from McKenzie's belief that "in the final analysis the strength of a constitution will lie not so much in the words that are written as in the value that people place on freedom as a basic value." After all, no matter what the words, the constitution "will continually be subject to reinterpretation and, on occasion, misinterpretation."

Readers of McKenzie's widely used



Richard B. McKenzie

economics textbook or his excellent, powerful analysis of current "reindustrialization" proposals know of his understanding and commitment to the free market. And if education in freedom, rather than espousal of particular reform proposals, is his chief purpose here, the reader will find commendable, persuasive discussions of the intimate connection between free markets and free social life in general.

Nevertheless, the framework of *Bound to Be Free* is troublesome. The "case for the free market," McKenzie writes, "is not a case for 'no government intervention,' " since "freedoms and rights often collide and trade-offs are required"; it is "an argument for a predisposition, or social proclivity toward freedom and against control; for extraordinary caution in shaping government policy; and for the use of principles in the conduct of public policy." The foremost principle he would instill among citizens and policymakers alike is that "the power of government to do good through force has limits."

The concept of conflicting rights and freedoms is a most unfortunate approach indeed to fundamental political principles. What one usually confronts are all sorts of conflicting *claims*; the principles of individual rights are, to my way of thinking, the devices one uses to determine which claims ought to be satisfied. Moreover, the concept that the power of government to do good is limited, while

helpful so far as it goes, does not go far enough. After all, the social and constitutional predisposition that "freedom is the rule, restraint the exception" existed for the first century and a half of our history. But it didn't suffice to limit the state in the last few generations.

Perhaps a more radical intellectual approach is necessary for an effective social transformation. If so, we may have a long row to hoe. McKenzie sadly reports on the basis of his own experience and others' research that George Stigler's dismal hypothesis is probably correct: five years after they graduate, college students who studied economics are no more literate than those who did not!

Perhaps we must await strong, articulate leaders who will, like the Founding Fathers, raise a standard to which the wise and honest may repair. McKenzie emphasizes the necessity of leadership but is skeptical about how true, consistent defenders of freedom may rise and flourish in present-day society. So am I.

In sum, McKenzie seems to be saying that the constitutional and legislative changes we may need to restore and preserve our freedom are rather far on the horizon; education is a grindingly slow process; and the emergence of enlightened political leadership an imponderable. It will surely amaze you, as it did me, that this thought-provoking, but ultimately disappointing, book ends by telling us that "now is the time for optimism!"

William Hammett is president of the Manhattan Institute for Policy Research.

Cracks in the Constitution

The Birth of a Transfer Society.
By Terry L. Anderson and Peter J. Hill.
Stanford, Calif: Hoover Institution Press. 1980. 114 pp. $6.95 paper.

Reviewed by Gale A. Norton

We lawyers are very jealous of attempts by "laymen" (here, economists) to explain the evolution of American jurisprudence. It is fortunate that Professors Anderson and Hill were not dissuaded by this fact from studying legal history, because they arrive at an analytical framework that is useful for the lawyer and nonlawyer alike. The authors forgo the usual narrow framework for tracing legal precedent and instead apply a historical, economic analysis.

A book that discusses constitutional history evokes the image of an unreadable tome, filled with legalese and obscurities. In contrast, although *The Birth of a Transfer Society* admirably handles the complete legal and economic history of the United States, it is readable and downright interesting. Anderson and Hill have presented an unusually clear and easily communicated argument against governmental control of economic decisionmaking.

The central thesis of the book is that America was born as a production-oriented society, wherein the primary emphasis was on the creation of wealth. However, sometime between the American Revolution and today the economic and legal systems got sidetracked, and the society shifted its emphasis from production of wealth to transfer of wealth.

The distinction between a productive society and a transfer society has concrete implications. The process of production and voluntary exchange is a positive-sum game: it enlarges the size of the economic pie so that everyone is better off. Transfer activity is a negative-sum game: resources are expended in the redistributive process of lobbying, litigating, and regulating. The size of the societal economic pie is reduced as people squabble over the division of the pieces.

The authors present strong evidence that the dominant political philosophy upon which the Constitution was based implicitly recognized the dangers of overinvolvement in transfer activity. The Founding Fathers realized that economic growth stemming from free transfer of property is the best means of providing equal opportunity and eliminating poverty and that these results do not arise from redistribution of property rights among citizens. According to the authors, the most significant time period for the metamorphosis of America to a transfer society was between the Civil War and World War I, when the legal basis of a transfer society was established. Despite its focus on this crucial time, the book does not concentrate entirely on the 19th century; it contains a valuable section highlighting the more recent growth of transfer activity.

Three main constitutional provisions that originally minimized transfer activity are analyzed by Hill and Anderson. The contract clause was emasculated by the early 19th century and never regained viability. The commerce clause, prior to the Civil War, was "a negative check on state interference with interstate commerce rather than a positive guide for federal intervention." The "positive" application of the commerce clause, however, has provided the legal basis for most 20th-century federal excesses. The third significant constitutional protection was the due process requirement, embodied in the Fifth and Fourteenth Amendments to the Constitution. Although substantive due process was the basis for invalidating many state economic regulations prior to the 1930s, the authors criticize it for failing to offer firm protection of vested property rights because it was based on a definition of reasonableness that changed over time.

Hill and Anderson also discuss the implications of legal decisions that broadened the authority of the legislative branch to delegate powers to the executive (thus encouraging "tyranny of the minority" by requiring special interest groups to convince only a small regulatory board rather than an entire legislature in order to obtain favorable laws), expanded state police power, and strengthened the taxing power.

As an attorney who has spent many hours studying constitutional history, I might dispute which of the thousands of cases decided by the US Supreme Court in the last two centuries mark turning points in policy. I would be inclined to place more emphasis on substantive due process as a means of protecting economic freedoms and to place less historic significance than did the authors on the broadening of public interest regulation in the Supreme Court's 1877 *Munn* v. *Illinois* decision.

These are, however, at most minor criticisms—and are primarily just differences in interpretation. Although the details of legal history might be disputed, the central point expressed in *Birth of a Transfer Society* is compelling and virtually irrefutable: a vast change has taken place since the creation of this nation. The exact point at which the change occurred may be subject to debate; the more significant fact that a change did occur is not.

In proposing a solution to the growth of transfer activity, the authors reject an incremental approach and instead argue for the amendment or general rewriting of the Constitution to achieve a clearer definition of individual property rights. They present a persuasive argument that the rules limiting transfer activity must

be made difficult to change; otherwise, the process of jockeying for preferential treatment will continue. Although incremental changes may not provide an end to transfer activity, I am optimistic that *The Birth of a Transfer Society* may minimize our proclivity toward governmental decisionmaking, even without a rewriting of the Constitution.

Gale Norton is a senior attorney with the Mountain States Legal Foundation.

Condemned by Their Own Words

Among the Believers: An Islamic Journey.
By V. S. Naipaul.
New York: Knopf, Inc.
1981. 430 pp. $40.00.

Reviewed by Paul T. Hornak

Among the Believers: An Islamic Journey is a relentlessly pro-Western account of the delusion prevalent in four countries of the East: Pakistan, Malaysia, Indonesia, and Khomeini's Iran. Iran, despite its monumental failures, is taken as a guiding light by the other three. The author, V. S. Naipaul, talks to an eccentric selection of Muslims. A few of them sound like they've got a mean streak, but the "hanging judge," Khalkhali, comes across as genuinely dangerous. He boasts that he killed the Shah's prime minister. Another Iranian, a communist, calls Khomeini a petty bourgeois.

In a Pakistani Sufi center, a novitiate recounts with fascination the abrupt departure of a Bengali and his return to the center behind the wheel of a brand new car. A miracle. The Malays, plodding disciples of fundamentalist missionaries from Karachi, shake their heads at a photo of a skyscraper. "We don't need technology," one of them concludes. To the non-Muslims of Kuala Lumpur, Islam is "the Malay disease." Only in Indonesia, about as far away as one can get from Mecca, is the religion taken in stride, a pleasant overlay to a lively native culture. Naipaul visits a Muslim lyric poet who brings off with overwhelming charm statements like: "I am complicated. But not confused."

Naipaul himself desires not to enchant but to expose. Purged by Western schoolmasters of the Hinduism of his parentage and the voodoo magic of his boyhood home, Trinidad, he now considers himself a traveling debunker of Third World rhetoric. He's good at it. He can smell a sham, a blowhard, a hypocrite, a mile away, and his pen is sharp. The book is a string of incriminating conversations painstakingly recorded.

Naipaul concludes that the impoverished are swelling the ranks of Islam because it validates their preconceptions. They like its message—basically, that poor is beautiful. They like its authority. It organizes the affairs of a believer down to the level of small matters of personal hygiene. It is tough on infidels, who coincidentally are the believers' enemies in the secular realm. The Western businessmen, the successful immigrants, the native rich: all will perish in the purifying flame of Allah.

"Millions will have to die," says an otherwise placid Pakistani predicting the Islamic future. Naipaul thinks so too. In calling for "a society cleansed and purified," he says, the Islamic Jeremiahs seem to long for ruin.

Paul Hornak is a free-lance writer who lives and works in Saudi Arabia.

Labor Regulation— Does Anyone Benefit?

Deregulating Labor Relations.
By Dan C. Heldman, James T. Bennett, and Manuel H. Johnson.
Dallas: The Fisher Institute.
1981. 182 pp. $12.95.

Reviewed by Robert Smith

The propensity for government to intervene in private market transactions has been nowhere more evident than in the labor market. Because what is bought and sold in the labor market (labor) is physically inseparable from its owner (the worker), and because payments to workers constitute the bulk of total income for our nation's citizens, public interest in labor-market transactions is understandable. What is not clearly understood, however, is that government regulation designed to help workers will in some cases harm them—and in other cases harm some while helping others. These undesirable side effects of regulation will occur whenever regulation is unnecessary to the efficient operation of a free labor market.

Deregulating Labor Relations is a book written to heighten the awareness among the public and among public officials that regulation of the labor market, like regulation in other markets, can impose more in social costs than it generates in social benefits. It spells out the conditions under which regulation would be justified, debunks the notion that labor is not a commodity and therefore stands exempt from the required regulatory justification, and offers a hypothesis to explain what others have called "regulatory fever" vis-a-vis the labor exchange. It provides an overview of both *substantive* labor relations regulation (the minimum wage, the Davis-Bacon Act, and the Occupational Safety and Health Administration) and *procedural* regulation (the laws governing collective bargaining), and it attempts to quantify and aggregate the social *costs* of regulation. In addition,

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the authors describe market alternatives to government regulation with respect to both collective bargaining and wages.

A book advocating deregulation must state the philosophical foundations of free markets and the possible situations in which free markets might fail to enhance social welfare. It must detail the regulatory provisions that exist, spell out their *possible* consequences, and try to get a fix on their *actual* consequences. The approach taken could be *extensive*, covering all labor-market regulation, or cover one program (or set of programs) *intensively*. Moreover, the author of such a book must choose to orient it toward the nontechnical reader or toward fellow professionals (economists, in this case). While the general outline of *Deregulating Labor Relations* is logical, it is too incomplete to be extensive, too superficial to be intensive, and too terse in its theoretical sections to be intelligible or convincing to the lay reader.

For an example of superficiality, 70 percent of the estimated total costs of labor-market regulation are assigned to OSHA regulations, but the essential difficulties and guesswork involved in arriving at OSHA-related cost estimates are not even mentioned. Also overlooked is the noncompliance with minimum wage and OSHA regulations brought on by weak federal enforcement—behavior that substantially blunts potential adverse regulatory consequences. The authors' flat assertion that OSHA regulation has been shown to have no beneficial effects whatever does little justice to the difficulties and disparities of evaluative research. While superficiality perhaps could be tolerated in a truly extensive review of labor-market regulation, this book completely ignores some very important, comprehensive, and expensive regulatory programs affecting labor—such as workers' compensation, pension reform legislation, the federal contract compliance program (whose efforts at eradicating discrimination are separate from the Equal Employment Opportunity Commission), and immigration policy.

The strength of the book lies in its analysis of the federal regulation of collective bargaining. The bulk of chapters three and five are devoted to this topic, and it is here that the authors' analysis is most novel and complete. They present strong evidence that the government's role in labor relations is hardly impartial, and they outline in some detail how they think the labor market would operate without the current government protection of unions.

In brief, the authors suggest that, even without current government encouragement and the right for a union to represent *exclusively* a given body of workers, workers would join together in collectivities and hire agents to represent them. They argue that employees need a variety of data to evaluate their labor contract with an employer, and there are economies of scale in the production of information (the per capita costs of acquiring information fall as the size of the group rises). The same argument holds for the process of transmitting offers to, and receiving counteroffers from, the employer.

It could plausibly be argued, however, that the information generated by unions is something akin to a "public good" (a good whose consumption by one does not diminish the ability of others to consume it and whose consumption cannot be easily denied to nonpaying customers). It is a standard economic tenet that public goods are underproduced by the private market because potential suppliers are aware of the "free rider" problem. If worker collectivities exist to provide services that have the characteris-

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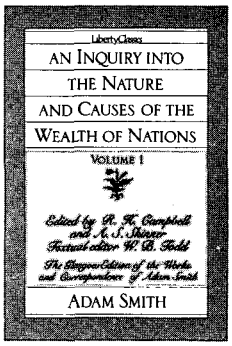

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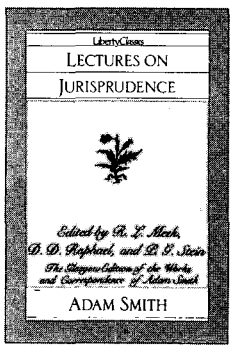

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tics of "public goods," can one justify government encouragement of unions on the grounds that a free market would underproduce these important services? Perhaps the authors have a telling line of reasoning on this issue, but it is not in their book.

Another issue ignored in their vision of worker collectivities acting without the right of exclusive representation is the possibility that such collectivities would break down into subsets and multiply over time. Labor cartels, like others, would face enormous stresses in maintaining themselves in a freely functioning market.

The failure of the authors to recognize explicitly the difficulties in forming and maintaining worker collectivities minimizes the effects of deregulating the procedural aspects of labor relations. It could seriously be doubted that unions would survive, and this observation raises the question of what role unions have in a market economy. Are unions labor cartels to be discouraged because of the social losses associated with monopoly? Are they (as the authors suggest) "firms" providing information-gathering and negotiating services that should be allowed to exist on an unsubsidized and unprotected basis? Are they entities producing useful services that would be underprovided were it not for government encouragement? Or, as suggested by Robert Macdonald in 1967, are the costs associated with trade unions the price societies must pay to secure the allegiance of blue-collar workers to the market system? These questions should be addressed, but they were not.

Despite the incompleteness and unevenness of this book, it provides useful reading for those interested in federal regulation of collective bargaining. While the authors do not provide an exhaustive or definitive analysis of this topic, they have opened a line of inquiry that few have dared to advance. For this reason alone, the book is well worth reading.

Robert Smith is a professor at Cornell University in the School of Industrial and Labor Relations.

HEALTH &WELFARE

(Continued from p. 47)

with barbiturates, other downers, or alcohol, since it will increase their effects. BHT combined with these substances will not cause respiratory collapse, however, as alcohol and barbiturates and other combinations of downers can. When first using BHT, hypotension may occur, resulting in light-headedness upon standing or arising in the morning. This is not a toxic side effect; but when experiencing this, one should not operate an automobile or other hazardous equipment. This effect tends to go away after a few days.

A list of scientific literature on this topic is available through REASON. Send a stamped, self-addressed envelope and ask for H&W references, August.

Durk Pearson and Sandy Shaw are consulting scientists and authors. Their book, Life Extension, *was recently published by Warner Books.*

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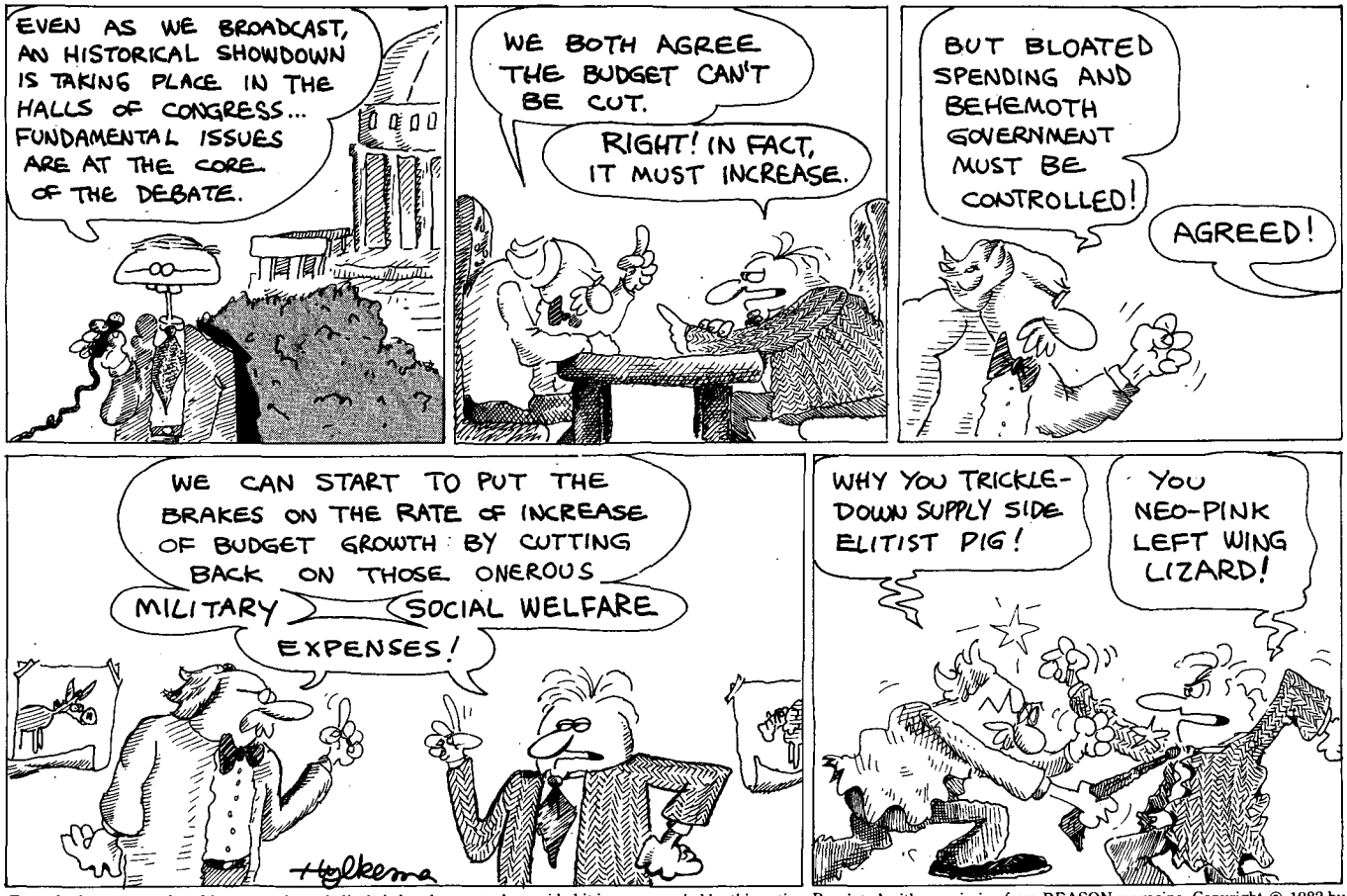
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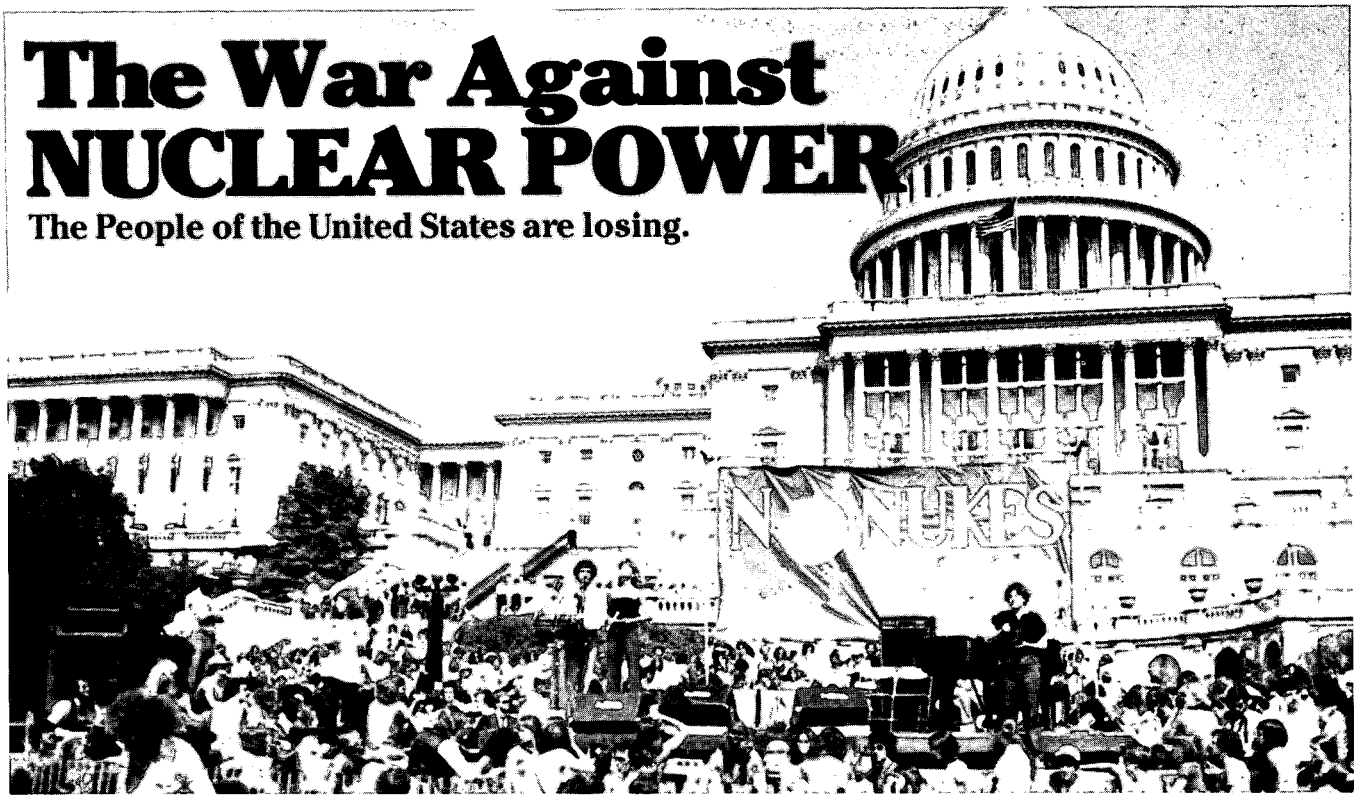
THE CLASSIFIED AD DEADLINE FOR THE OCTOBER ISSUE IS AUGUST 1.

The War Against NUCLEAR POWER

The People of the United States are losing.



THE WAR

A nuclear war is raging today in the United States – a "war" over the use of nuclear energy. **On one side are the scientists, workers and leaders of the embattled nuclear industry.** They say that nuclear energy is cleaner, safer, more reliable and less expensive than any other type of electrical power-generation system.

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Never has so much irrational fear and misinformed sentiment caused so much danger to the future of this country and the world. Only with facts and reason can the truth be established – not with rumor and sensationalism.

THE TRUTH

The War Against Nuclear Power is a book written for the people to clarify and answer the questions that most of us have about nuclear power.

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ABOUT THE AUTHOR: Dr. Eric N. Skousen is a specialist in the fields of energy systems, fluid dynamics and space physics, and has lectured extensively in the U.S., South America, Europe and the Middle East.

The foreword is by Dr. Edward Teller, recognized worldwide for his leadership in the earliest efforts to ensure the safety of nuclear power generators and to achieve clean power generation.

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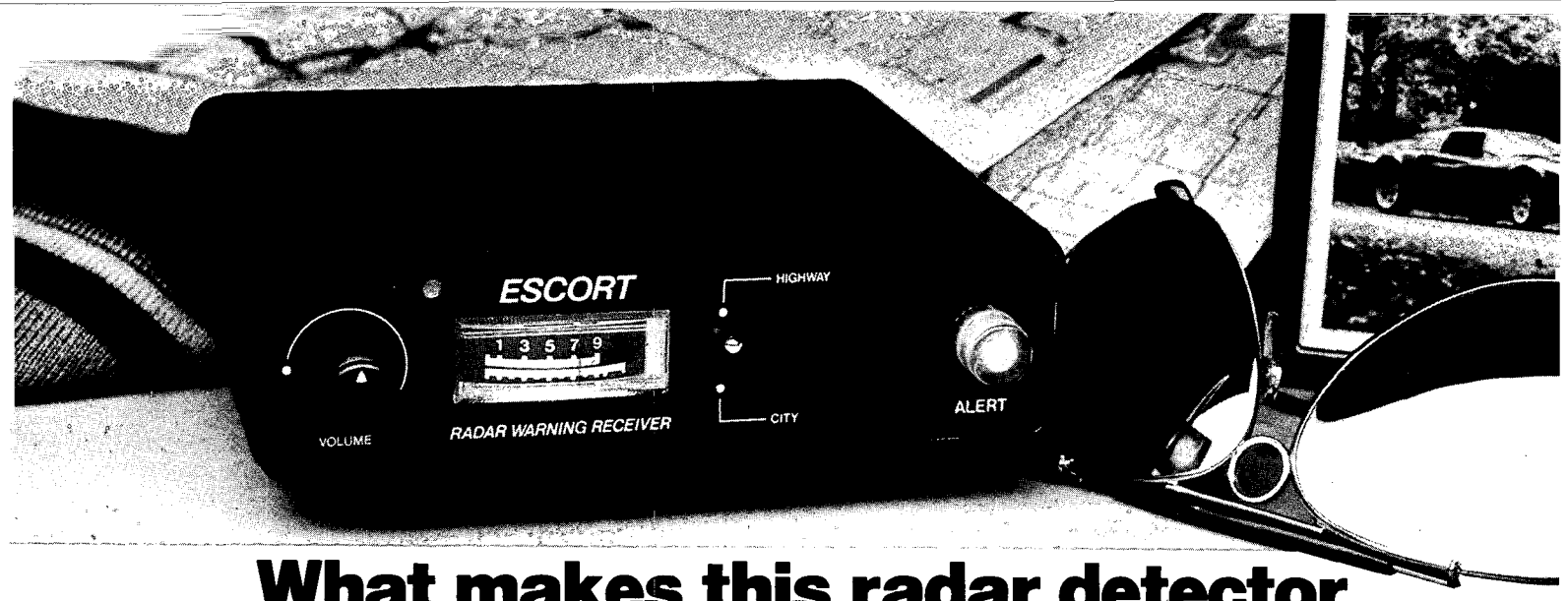

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The Lady or The Tiger

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ESCORT looks and feels right. Its inconspicious size (1.5Hx5.25Wx5D), cigar lighter power connector and hook and loop or visor clip mounting make installation easy, flexible, and attractive. The aural alarm is volume adjustable and the alert lamp is photoelectrically dimmed after dark to preserve your night vision. And, a unique city/highway switch adjusts X band sensitivity for fewer distractions from radar burglar alarms that share the police frequency while leaving K band at full strength.

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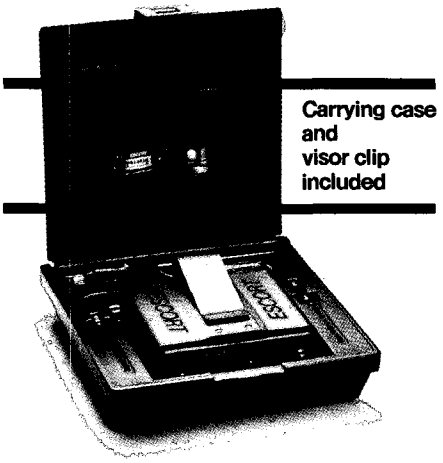

Corroborating evidence

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